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INTERNATIONAL INTELLECTUAL PROPERTY: A SUMMARY OF RECENT DEVELOPMENTS AND ISSUES FOR THE COMING DECADE

By Alan S. Gutterman[†]

Intellectual property matters have come to occupy an increasingly important place in ongoing discussions regarding international trade and development. Over the last few years, debate has continued on a number of fronts: the discussions on Trade Related Aspects of Intellectual Property Rights (TRIPs) undertaken in the context of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT);¹ the efforts of the United States Trade Representative (USTR) to make international intellectual property (IP) laws compatible to the perceived interests of the United States with respect to global trade;² the continuing attempts to harmonize the world's patent law regimes; and, finally, the constant debate between developed and developing nations relating to the protection and transfer of valuable technology and related IP rights.³

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1. Arthur Dunkel, Director-General of the GATT, referred to the Uruguay Round as nothing less than "an effort to re-order the basis for economic relationships [among] countries." Harry B. Ensley, *Intellectual Property Rights in the GATT*, 15 NEW MATTER No. 3 1 (1990). The Uruguay Round, the eighth round of negotiations in the 42-year history of the GATT, is unique in its intent to address the issue of "trade related aspects of intellectual property rights, including trade in counterfeit goods." *See id.*

2. One of the main reasons for concern in the United States regarding the enforcement of worldwide IP rights has been the recent change in the composition of United States export trade. It has been noted that the share of United States exports that rely heavily on IP protection, such as chemicals, pharmaceuticals, computers, software, sound recordings, books, movies and scientific equipment, has more than doubled since the end of World War II to reach a level that exceeds one-quarter of total United States exports. *See id.* at 10. Moreover, a 1987 study by the United States International Trade Commission (ITC) estimated that the annual worldwide loss of revenue suffered by all United States industries in 1986 due to inadequate IP protection in foreign countries was between \$43 and \$61 billion. *See id.*

3. The resolution of perceived uncertainties regarding the scope and content of international IP laws often depends upon the ability of the participants to strike the delicate balance between the desire of developed "technology rich" nations to enhance the degree of

The purpose of this article is to provide the general business lawyer or other non-specialist in IP matters with an overview of selected recent developments in various areas of international IP matters, thereby enabling business counselors to develop a keener sensitivity to the effect of IP issues on all types of commercial transactions. In particular, this summary is organized in a manner that focuses the reader upon broad substantive issues relating to global and bilateral discussions regarding elements of IP protection, as well as specific regional developments. Specifically, this article covers four substantive areas: the bilateral negotiating efforts of the USTR in the IP area, copyright law and market access barriers, patent harmonization proposals, and the TRIPs discussions. In addition, a number of regional developments in the EC, Eastern Europe, the Asia-Pacific region, Latin America, the Middle East and other areas will be discussed.

Since IP issues generally arise in the context of commercial transactions involving either the sale or licensing of technology, the general business lawyer or non-IP specialist can no longer afford to practice without some passing familiarity with international trends relating to IP.⁴ Moreover, certain other bodies of law and regulation may impact a given technology transfer transaction. Among the areas that counsel should consider in the course of such a transaction are laws relating to foreign investment; taxes and duties; immigration; exchange controls; antitrust and misuse of competitive

protection for their technical assets in foreign markets and the need of the developing nations to gain access to new technology in order to pursue economic growth and enhanced competitiveness. See Alan S. Gutterman, *A Legal Due Diligence Framework for Inbound Transfers of Foreign Technology Rights*, 24 INT'L LAW. 976 (1990).

4. International IP laws are contained in a number of substantive treaties. For a good current collection of the most important treaties, including those referred to herein, see INTERNATIONAL TREATIES ON INTELLECTUAL PROPERTY (BNA Books ed., 1991). A detailed description of the various statutory and nonstatutory technology rights referred to in the text is beyond the scope of this article. For further information on foreign technology regimes, see MELVILLE B. NIMMER, NIMMER ON COPYRIGHT (1984); DONALD S. CHISUM, PATENTS (1984); J. THOMAS MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION (2d ed. 1984); JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE (1984); and ROGER M. MILGRIM, *supra* note 3. Legal counsel needs to understand a number of matters with respect to securing statutory protection in foreign countries. For example, the following questions should be considered: (1) what items are eligible for patent protection, what costs are associated with a patent application and how long will it take for the patent to be issued; (2) is protection available for industrial designs and models; (3) does the foreign country provide protection for trade secrets and other forms of intellectual property and, if so, what is the duration of the protection and are any formalities required for protection; (4) is copyright protection available and, if so are there any notice or registration requirements; (5) are there any trademark registration requirements and, if so, what are the costs; and (6) does the foreign country seek to regulate licenses and technology transfer agreements.

position,⁵ including IP rights; compulsory licensing and nationalization provisions;⁶ rules and procedures with respect to arbitration; environmental laws; export controls;⁷ and even bankruptcy laws.

5. Technology transfers by developed countries to developing countries raise a number of concerns in light of the different goals of the parties to the transaction. For example, with respect to trade secrets, issues arise as to limitations that are imposed upon the duration of any trade secret protection, the ownership of improvements to or new applications of the trade secret, and the ability of the licensor to adequately assert its rights to protect the trade secret in the licensee's country. As to the actual terms of any technology transfer license, concerns arise as to limitations on the amount of any royalties, the imposition of "paid-up" rights under patents extending beyond the running royalty payment period, requirements that licenses be governed by local law and subject to local arbitration, restrictions on "grant-back" clauses and other competitive practices, warranty requirements, and registration procedures as a condition to enforceability. Among those countries known to have material laws and regulations relating to the inbound transfer of technology as of the end of 1990 were the following: Argentina (Technology Transfer Law of March 12, 1981, No. 22.426); Brazil (The Software Law of December 22, 1987, No. 7646; Regulations for the Implementation of the Software Law No. 96.036 (effective May 16, 1988; SIE No. 93 (March 20, 1988); National Copyright Council Resolution of July 6, 1988, No. 57; and INPI Normative Act of December 5, 1988, No. 95; China (Law of the People's Republic of China on Technology Contracts, adopted 6-23-87 by the 21st session of the standing committee of the 6th National People's Congress); Ecuador (Cartegena Agreement Decision No. 85 (1977) as amended); India (Statements on Industrial Policy and Implementing Procedures, 1977 and 1980); Korea (Economic Planning Board Notice 90-9 of July 5, 1990 pursuant to article 32, para. 2 of the Monopoly Regulation and Fair Trade Law); Malaysia (Policy and Guidelines on Transfer of Industrial Technology of the Malaysian Industrial Development Authority (MIDA), Kuala Lumpur); Mexico (Law on the Control and Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks of 1982, Regulations to the Law on the Control and Registration of the Transfer of Technology and the Use and Exploitation of Patents and Trademarks of 1990 (repealed in 1991, see notes 263 and 266 and accompanying text below)); Pakistan (Regulations on Foreign-origin Investments and Technology, Patent and Trademark Contracts of September 29, 1989, N-005-89-EF/35); Portugal (Normative Rule 95/86 (effective October 31, 1986); Spain (Royal Decree 1750/87 implemented by Resolution No. 4725, Official Gazette No. 48 (1988)); Turkey (Decree No. 86/10353 (3.02, 7.01); and Venezuela (Decree No. 2.442, and new implementing regulations for ANCOM Decision 220). See PATENT, COPYRIGHT AND TRADEMARK SECTION, AMERICAN BAR ASS'N, REPORT OF COMMITTEE No. 404 5-7 (1991 Annual Report) (hereinafter Comm. No. 404 Report).

6. See generally G. HOLMES, *INTELLECTUAL PROPERTY AND ANTITRUST LAW* (rev. ed. 1989).

7. Recent changes in East-West relations have caused the United States and its allies in the Coordinating Committee for Multilateral Export Control (COCOM), which includes the NATO countries less Iceland, plus Japan and Australia, to consider easing export controls on goods and technologies to be sent to Eastern Bloc countries "to a core list of technologies and goods critical for military and space purposes." Comm. No. 404 Report, *supra* note 5, at 1; see also John F. McKenzie, *COCOM Approves Export Decontrol of PCs and Small Mainframes*, 7 *COMPUTER LAW*. 42 (1990); *Relaxation of U.S. Controls on Computer and Software Exports*, 7 *COMPUTER LAW*. 17 (1990); Jonathan I. Feil, *Exporting Computer Hardware and Software to the Eastern Bloc*, 7 *COMPUTER LAW*. 20 (1990). While controls are being eased in some areas, COCOM will impose strict restrictions upon exports of chemical and biological weapons precursors, equipment and technology. Comm. No. 404 Report, *supra* note 5, at 1-2. Additionally, COCOM intends to limit exports to certain enterprises and governments. *Id.*

RECENT DEVELOPMENTS IN INTERNATIONAL IP MATTERS

In understanding current and anticipated developments, it is useful to begin with a summary of the IP-related events that occurred as the 1980s came to an end.⁸

Patent Harmonization.

Patent laws afford protection to inventors concerning the ability of others to utilize and commercially exploit the ideas embodied in the issued patent. Each nation is free to adopt its own laws and procedures with respect to the issuance of patents and, as such, an invention's use in a foreign market demands attention to the specific local patent regime. Due to the potential expense and confusion associated with the complex network of separate patent laws, efforts to harmonize the content and effect of national patent laws around the world have continued over recent years and present a number of key issues for the United States. Most significantly, as a result of changes in Canada⁹ and the Philippines,¹⁰ the United States now finds itself alone in its preference for a "first-to-invent" system, rather than the "first-to-file" system which prevails throughout the world;¹¹ A position that is having a profound effect upon the chances for any form of international accord in the patent area.

Eastern European Patent Law Developments.

The rapid economic integration of East and West can be found in the eagerness of many of the former Eastern Bloc nations to announce proposals for new patent and related IP laws. For example, prior to the disintegration of the former Soviet Union, reformers in that country appeared to be willing to adopt new patent laws that provided for a number of matters perceived to be important by the United States, such as patent protection for all categories of inventions, including genetically produced products.¹² In fact, the provisions of the proposed Soviet law were similar to those of the

8. See Michael N. Meller, *Developments of the Past Year in International Intellectual Property*, 3 WORLD INTELL. PROP. REP. (BNA) 226, 226-27 (1989).

9. See Hugues Richard, *Trademark Bar Seeks to Eliminate Act's Registered-User Provisions*, 2 WORLD INTELL. PROP. REP. (BNA) 220 (1988); Robert H. Barrigar, *Canada's Changing Laws on Intellectual Property*, 3 WORLD INTELL. PROP. REP. (BNA) 3 (1989).

10. See Meller, *supra* note 8, at 226.

11. See *id.* As the brief descriptions imply, a "first-to-file" system places a premium upon early filing of patent applications covering the idea or invention, even though the invention may actually have been conceived at an earlier date by another inventor who failed to make a timely filing.

12. See *id.* at 226-27.

European Patent Convention (EPC)¹³ and several of the new Republics, as well as other former Eastern Bloc countries, appear to be planning on seeking formal integration into the EC's patent system.

Other Patent Law Developments.

Several developing countries, including Indonesia, Singapore and Saudi Arabia, initiated significant changes to their existing patent law regimes in the last few years.¹⁴ Also, the usage of the Patent Cooperation Treaty (PCT),¹⁵ an earlier attempt at patent harmonization promulgated through the United Nation's World Intellectual Property Organization (WIPO),¹⁶ increased significantly by the end of the decade.¹⁷

Copyright Law Developments.

In the area of copyrights, activity focused upon the enforcement procedures and laws of various countries, as well as upon the substantive protections which are to be afforded to computer

13. Formally referred to as the Convention on the Grant of European Patents, the EPC became effective on October 7, 1977 and provides for a centralized and convenient method of applying for one or more national patents in its member countries. The members include most, but not all, of the EC states and Switzerland, Austria, Sweden and Liechtenstein. The EPC provides for the filing of a single patent application which, upon review as to both form and substance, permits the issuance of a bundle of national patents for each of the member states designated by the applicant. The EPC process does *not* create a single patent that covers the entire EC, as has been intended by the adoption of the Community Patent Convention referred to below, and parties are still free to apply for a national patent in each nation within the EC where a patent grant is desired. See Clifford Chance, *Intellectual Property and the EEC: 1992*, 2 INT'L COMP. L. Q. 158 (1990) [hereinafter *Intellectual Property and the ECC*]; see also Jeffrey Singleton, *Convention on the Grant of European Patents (European Patent Convention) and Convention for the European Patent for the Common Market (Community Patent Convention)*, 13 INT'L L. 119 (1979).

14. See Meller, *supra* note 8, at 227.

15. 28 U.S.T. 7645, T.I.A.S. No. 8733. The PCT was signed at a diplomatic conference in Washington, D.C. in 1970. The treaty became effective on January 24, 1978.

16. The WIPO is the successor to the International Bureau of the Union for the Protection of Industrial Property (BIRPI) and serves as an international forum for cooperation in the area of intellectual property. See Convention Establishing the WIPO, July 14, 1967, 21 U.S.T. 1794, T.I.A.S. No. 6932.

17. See Meller, *supra* note 8, at 226. Popularity of the PCT continued to soar in 1989, confirming the trend over the past three years of ever-increasing use of the PCT as a mechanism for international patent registration. As of February 2, 1990, WIPO announced that 42 countries were members of the PCT. In 1989, WIPO received 14,874 applications for patent protection under the PCT, an increase of 24% over the previous year. In contrast, when the PCT came into operation in 1978, it had 459 applications. *PTC's Popularity Continues Steady Increase, WIPO Reports*, 4 WORLD INTELL. PROP. REP. (BNA) 61 (1990). For a discussion of certain amendments to the rules governing the PCT, see *PCT Meeting Discusses Rule Changes, Limiting Gazette to English Language*, 4 WORLD INTELL. PROP. REP. (BNA) 190 (1990).

software programs. As noted below, new copyright laws were adopted in a number of nations, including the long-awaited law enacted in the People's Republic of China (PRC). Also, Brazil implemented a new procedure for registering computer software; Israel amended its copyright laws to add the undefined category of computer software to its current regulations regarding literature and art; and Canada implemented a number of changes in its copyright laws, including measures designed to strengthen the moral rights of the author with respect to commercial use of a work.¹⁸

Licensing Law Developments.

The EC promulgated its "know-how" and patent licensing and joint research block exemption regulations,¹⁹ which appear to be similar in effect to sections I and II of the United States Sherman Act. Additionally, Japan announced new antitrust and fair trade guidelines relating to patent licensing agreements.²⁰ The issues surrounding technology transfers to developing countries continue to divide the IP landscape, although recent attempts to liberalize rules relating to technology transfers in developing countries (e.g. Mexico) appear to signal some recognition of the need to reach some fair accommodations in this area.

USTR ACTIVITIES

The increasingly important role of IP matters in the conduct of international trade negotiations over the last few years has led to the inclusion of IP provisions in a number of United States trade

18. See Meller, *supra* note 8, at 227.

19. See *id.* at 227-28. The "know-how" block exemption (EEC 556/89) became effective on April 1, 1989 and set forth various restrictions which can and cannot be imposed in know-how licenses in the EC. The regulations permit some degree of exclusive licensing and pertain to licenses which are purely know-how licenses or are mixed licenses of which know-how is of primary importance. The patent licensing (EEC 2349/84) and joint research (EEC 418/85) block exemptions also became effective on April 1, 1989. See Comm. No. 404 Report, *supra* note 5, at 2.

20. See Meller, *supra* note 8, at 228. Since the adoption of the licensing guidelines in 1989, debate has centered on whether the guidelines would apply to domestic licenses and to "outbound" licenses (*i.e.*, licenses covering the transfer of technology by a Japanese licensor to a foreign licensee). Although it appears that the guidelines do cover domestic licenses, the lack of any registration requirements as to such licenses makes it unlikely that the terms thereof would come to the attention of Japanese Fair Trade Commission (JFTC). The guidelines also appear to cover outbound licenses; however, experience suggests that Japanese governmental concern will primarily focus upon avoiding undue restrictions on Japanese licensees in an inbound transaction. The JFTC is said to be considering a draft of new guidelines governing joint research activities. Comm. No. 404 Report, *supra* note 5, at 5.

statutes and regulations.²¹ On May 25, 1989, the USTR, with advice from Interagency Trade Policy Staff Committee, the Patent and Trademark Office and the Copyright Office, released the results of its initial survey of IP laws and market access issues in various countries.²² The review²³ focused upon whether the surveyed countries met certain minimum standards for adequate IP protection.²⁴

Though the USTR concluded that none of the countries fully satisfied the standards advocated by the United States at international forums, such as the TRIPs negotiations,²⁵ it decided not to identify any "Priority Foreign Countries" at that time.²⁶ Instead, a non-statutory procedure was implemented pursuant to which twenty-five countries were singled out for special attention due to IP practices or market barriers that concerned the USTR.²⁷ Of those countries, seventeen were placed on a "Watch List" and the remaining eight were placed on a "Priority Watch List".²⁸ Countries on the Watch List were to be the subject of increased efforts by the USTR during the subsequent year to resolve any problems. However, specified accelerated action plans were to be pursued with

21. The first statutory provision was included as an amendment to section 301 in the reciprocity bill enacted as part of the Trade and Tariff Act of 1984. See *Portion of U.S. Trade Representative's Fact Sheet on 1988 Trade Act's "Special 301" Provision on Intellectual Property, Released 25 May, 1989*, 3 WORLD INTELL. PROP. REP. (BNA) 162 (1989) [hereinafter "*Special 301 Provision*"]. (The "Super 301" provisions, which deals with unfair foreign trade practices generally, expired in 1990. However, a number of bills have been introduced in the United States Congress that would renew and, in some cases, strengthen Super 301. Officials in the Bush Administration have expressed opposition to any extension of these extraordinary measures, citing their discomfort with many of the "artificial" deadlines for negotiations with problem countries. See 21 INT'L L. NEWS (Winter 1992) at p. 15).

22. "*Special 301*" Provision, *supra* note 21, at 162-63 (1989).

23. The review was conducted under the so-called "Special 301" provisions of The Omnibus Trade and Competitiveness Act of 1988 (1988 Trade Act). A concise description of the "Special 301" procedures is included in Ward, *Recent Legislative Developments Enhancing Intellectual Property Protection in the International Trade Context*, 2 INT'L & COMP. L.Q. 62 (1990).

24. See "*Special 301*" Provision, *supra* note 21, at 162. Section 182 of the Trade Act of 1974, as amended (1974 Trade Act), which was added to the 1974 Trade Act by the Omnibus Trade and Competitiveness Act of 1988, requires that the USTR identify those "Priority Foreign Countries" which, "*inter alia*, deny adequate and effective protection to U.S. intellectual property or deny fair and equitable market access to U.S. persons who rely . . . [on such protection]." *IIPA Submission to U.S. Trade Representative on "Priority Foreign Countries"*, 4 WORLD INTELL. PROP. REP. (BNA) 84, 85 (1990) [hereinafter *IIPA Submission*].

25. See text at pages 11-12 for a full discussion of the TRIPs negotiations.

26. See "*Special 301*" Provision, *supra* note 21, at 162.

27. See *id.*

28. See *id.* Countries originally placed on the Watch List included Argentina, Indonesia, Portugal, Canada, Italy, Spain, Chile, Japan, Turkey, Columbia, Malaysia, Venezuela, Egypt, Pakistan, Yugoslavia, Greece and the Philippines. "*Special 301 Provision*", *supra* note 21, at 163.

countries on the Priority Watch List over the 150 days following the announcement of the Lists.²⁹

The original Priority Watch List countries included Brazil, India, Korea, Mexico, the PRC, Saudi Arabia, Taiwan and Thailand. Among the concerns of the USTR with respect to these countries were the following: the need to improve and provide adequate patent protection;³⁰ the need to provide adequate copyright protection for, and enhanced enforcement efforts against piracy and counterfeiting of, United States software and sound recordings;³¹ the need to improve protection of foreign trade and service marks;³² the need to eliminate various market barriers which inhibited the ability of United States film manufacturers to penetrate foreign markets;³³ and the need for countries to commence constructive participation in multilateral intellectual property negotiations.³⁴

The USTR could remove Priority Watch List members from the list when the United States' objectives were achieved, with such achievement taking the form of satisfactory progress in the areas specified above.³⁵ The USTR downgraded Taiwan, Korea and Saudi Arabia to the Watch List on November 1, 1989.³⁶ Mexico was removed from both Lists after it announced a number of proposed improvements to its patent, trademark and trade secret laws.³⁷ During 1989, Portugal was also removed from the Watch List.³⁸

On April 27, 1990, the USTR praised the significant progress made by countries named to the Lists and, once again, declined to

29. The USTR was to review each trading partner on the Priority Watch List to determine whether it should identify the trading partner as a Priority Foreign Country. The USTR could have designated a country a Priority Foreign Country at any time during the period of review and could have initiated a Special 301 action if the country failed to continue negotiations in good faith or ceased to make satisfactory progress on the specified improvements in the IP area. "*Special 301 Provision*", *supra* note 21, at 163.

30. Brazil, the PRC, India, Mexico and Thailand.

31. Brazil, India, Korea, the PRC, Saudi Arabia, Taiwan and Thailand. The PRC and Saudi Arabia were asked to enact new copyright laws, while Taiwan was cited for its failure to fulfill its obligations under existing bilateral copyright agreements.

32. India and Thailand.

33. Brazil and India.

34. Brazil, India, Korea, Mexico and Thailand.

35. "*Special 301*" *Provision*, *supra* note 21, at 103.

36. *IIPA Submission*, *supra* note 24, at 84.

37. *United States Trade Representative's Fact Sheet on Offending Countries Under "Special 301" Provision of Trade Act*, 4 WORLD INTELL. PROP. REP. (BNA) 138 (1990) [hereinafter *Trade Representative's Fact Sheet*].

38. See *USTR, Citing Progress, Declines to Target Offenders Under "Special 301"*, 4 WORLD INTELL. PROP. REP. (BNA) 124 (1990) [hereinafter *USTR, Citing Progress*].

designate any country as a Priority Foreign Country at that time.³⁹ However, the USTR noted that Indonesia continued to refuse to open its markets to foreign motion pictures and had done little to correct what was alleged to be insufficient protection of pharmaceutical products.⁴⁰ The USTR also noted that Turkey's copyright and the Philippines' piracy enforcement practices gave the USTR cause for concern.⁴¹ The USTR stressed the need for significant progress in the TRIPs discussions, although a number of trade and industry representatives suggested that the United States should continue to emphasize bilateral negotiations as the best way to achieve a meaningful multilateral agreement.⁴²

By early 1991, with multilateral negotiations on various aspects of IP rights stalled at both the GATT and the WIPO, the USTR began to take a more activist posture regarding IP-related trade barriers with each of the United States' trading partners. First, on March 29, 1991, the USTR released its third annual report on significant Foreign Trade Barriers.⁴³ Among the restrictive policies and concerns cited in that report were the following:⁴⁴

Pharmaceutical and Chemical Products.

Certain countries, notably Argentina, Brazil and India, provided inadequate patent protection for pharmaceutical products, chemical compounds and food stuffs. Argentine patent law failed to provide patent protection for pharmaceutical products, only for the process of manufacturing, and Brazilian patent law did not cover either product or process patent protection. India's patent law did not cover substances intended for use or capable of being used as a food, medicine or drug.

Lapsed Patents and Compulsory Licensing.

Many countries, such as the Philippines, continued to utilize

39. *Trade Representatives Fact Sheet*, *supra* note 37, at 138.

40. *USTR, Citing Progress*, *supra* note 38, at 124.

41. *Id.* A report prepared by the International Federation of the Phonographic Industry (IFPI) claimed that piracy worldwide cost the international recording industry over \$1.1 billion in 1989. *IFPI Issues Report on Worldwide Piracy*, 5 *WORLD INTELL. PROP. REP.* (BNA) 67 (1991).

42. *See USTR, Citing Progress*, *supra* note 38, at 125. Trade association representatives expressed their disagreement with the positions taken by the USTR in light of what are perceived as significant piracy problems remaining in Saudi Arabia, Korea, Malaysia, Thailand, Taiwan and the Philippines. *Id.*

43. *USTR Releases Annual Trade Report on Restrictions around the World*, 5 *WORLD INTELL. PROP. REP.* (BNA) 121 (1991).

44. *Id.* at 121-24.

compulsory licensing and patent working requirements as a condition to a grant of a patent. Argentina even provided that a patent would lapse if the product is not produced, the process is not used locally within two years of the issuance of a patent or patent use is interrupted for a period of time.

Copyright Protection.

The PRC failed to provide copyright protection to works by foreign nationals unless the works had first been published in the PRC, although protection would be available if (1) the PRC and the author's government were both signatories to the same international copyright convention or (2) the governments involved were parties to a bilateral copyright agreement. Since it was then considered unlikely that the PRC's copyright law would permit it to sign either the Berne Convention or the Universal Copyright Convention, no effective protection was available for foreign works published outside of the PRC. Also, enforcement of existing copyrights laws in many countries, such as Taiwan, was found to be deficient.

Scope of Patent Rights.

Even among the developed nations, significant differences remained regarding the scope of any issued patents. For example, it was argued that Japanese patents were likely to be narrow in scope, thereby increasing the likelihood that rival Japanese firms would, by filing an application which may vary only slightly from the original application, force the first applicant to enter into a cross-licensing arrangement or face the prospect of costly patent infringement litigation.

On April 26, 1991, the USTR followed its annual report by designating China, India and Thailand as Priority Foreign Countries.⁴⁵ In addition, Australia, Brazil and the EC were named to the Priority Watch List and twenty-three other countries were named to the Watch List.⁴⁶ The USTR noted that all three of the countries designated as Priority Foreign Countries had been on the Priority

45. *USTR Names China, Thailand, India Special 301 Priority Offenders*, 5 *WORLD INTELL. PROP. REP. (BNA)* 133 (1991).

46. *Id.* As noted earlier, countries are placed or retained on the Watch List for special attention because they maintain IP practices or barriers to market access that are of particular concern. Those countries placed or retained on the Watch List in 1991 were: Argentina, Canada, Chile, Colombia, Cyprus, Egypt, Germany, Greece, Hungary, Indonesia, Italy, Japan, Korea, New Zealand, Pakistan, Philippines, Saudi Arabia, Spain, Taiwan, Turkey, United Arab Emirates, Venezuela and Yugoslavia. *Id.* at 134. As for those countries placed or retained on the Priority Watch List, *see id.* at 133-35.

Watch List since 1989 and, in each case, the practices of these countries have been egregious, resulting in an adverse impact on United States industry.⁴⁷ The USTR concluded that no significant progress has been made, either bilaterally or multilaterally, to address these practices.⁴⁸

The PRC was cited for the fact that it did not offer product patent protection relating to pharmaceuticals and other chemicals, in addition to its citation for failed copyright protection.⁴⁹ Patent laws in India were found to be deficient because India provided an inadequate level of patent protection, including overly broad compulsory licensing requirements, too short a term of protection and specific failures to enforce foreign pharmaceutical patent rights.⁵⁰ Finally, Thailand was cited for patent law deficiencies similar to those found in India, as well as for its continued failure to make any real progress against piracy in the motion picture, sound recording and computer software industries.⁵¹

Under the USTR's procedures, an investigation was to be conducted with the objective of reaching a satisfactory agreement with the designated countries on or before November 26, 1991. However, negotiations proceeded slowly and the USTR ultimately extended the deadlines for the PRC and India to February 26, 1992. Due to other ongoing investigations regarding Thailand, the date for resolution of the outstanding issues is more uncertain with respect to that country.⁵²

DEVELOPMENTS IN COPYRIGHT LAW AND MARKET ACCESS BARRIERS

As part of the initial review conducted by the USTR on its designation of Priority Foreign Countries, the USTR received a comprehensive report from the International Intellectual Property Alliance (IIPA).⁵³ The IIPA report outlined twelve "problem"

47. *Id.* at 133.

48. *Id.*

49. For a detailed discussion of problems in the PRC, see *infra* p. 376

50. For a detailed discussion of problems in India, see *infra* p. 401.

51. For a detailed discussion of problems in Thailand, see *infra* p. 382.

52. *Id.*

53. *IIPA Submission, supra* note 24, at 84. The IIPA is an umbrella organization formed in 1984 consisting of eight trade associations. *Id.* Each trade association represents a significant segment of the United States copyright industry. *Id.* The IIPA is comprised of the following: the Computer Software and Services Industry Association, the American Film Marketing Association, the Association of American Publishers, the Business Software Alliance, the Computer and Business Equipment Manufacturers Association, the Motion Picture Association of America, the National Music Publishers' Association and the Recording In-

countries where the United States was incurring significant trade losses⁵⁴ due to piracy and market access barriers.⁵⁵ The IIPA updated its report in early 1990, thereby providing a good summary of the then-current status of copyright and market access conditions.

Among the key concerns of the IIPA regarding copyright and market access conditions around the world were the following:

Software Protection.

Although the PRC was considering new legislation designed to afford protection to computer software, it was believed that the term of the protection (*i.e.*, less than 50 years) would be inadequate and that protection would be available only upon registration. Moreover, the proposed law did not cover pre-existing works and contained fair use and compulsory licensing provisions which were inconsistent with the Berne Convention.

Piracy.

Piracy of records, tapes, motion pictures, videos, books and computer programs has been a substantial problem in many parts of Asia (*e.g.*, Thailand, India, Taiwan, Korea, Malaysia, Indonesia and the Philippines) and Latin America (*e.g.*, Brazil and Mexico). Enforcement efforts and sanctions were perceived as inadequate in a number of countries, particularly in those countries where public performances of copyrighted works are permitted without permission of the foreign producers.

Copyright Laws and Treaties.

Several countries have been cited for their failure to have *any* form of copyright law protection, as well as their unwillingness to engage in substantive negotiations which might lead to bilateral copyright arrangements. Even in those cases where countries had

dustry Association of America. *Id.* By their own estimation, the industries in the IIPA collectively generated over \$270 billion in revenues in 1988, an amount that approximated 5.7% of the 1988 United States GNP. *Id.*

54. The IIPA estimated that the book and journal publishing, film, video, music, record and computer software industries collected over \$13 billion in surplus to the United States trade balance in 1988. *Id.*

55. *Id.* The IIPA's report, released in April 1989, was entitled "Trade Losses Due to Piracy and Other Market Access Barriers Affecting the U.S. Copyright Industries." *Id.* The report attempted to quantify United States trade losses in each of the designated countries, to identify statutory and administrative deficiencies in the copyright regimes and to recommend appropriate remedies for the specified deficiencies. *Id.*

some form of copyright law, the IIPA has continued to take note of provisions which were not consistent with the Berne Convention.

Following a period of relative inactivity during the later part of 1990, as the USTR pursued various initiatives in the context of the GATT negotiations, comments were solicited on the policies and practices that should be considered in compiling the 1991 "Priority Foreign Country" list. In response the IIPA targeted twenty-two countries that, in its opinion, did not "provide adequate copyright protection for U.S.-made goods or did not provide fair market access to U.S. movies, musical works, books and software."⁵⁶ Specifically, the IIPA urged the USTR to identify four countries — China, India, Indonesia and Thailand — as a "Priority Foreign Country" and to place seven other countries — Brazil, Greece, Mexico, the Philippines, Poland, Turkey and the United Arab Emirates — on the Priority Watch List.⁵⁷

PATENT LAW HARMONIZATION EFFORTS

Efforts continued around the globe to develop and implement a comprehensive treaty concerning harmonization of international laws on the protection and patentability of inventions.⁵⁸ The most comprehensive effort relating to a patent harmonization treaty is being undertaken by the WIPO Committee on Experts on the Harmonization of Certain Provisions in Laws for the Protection of Inventions (WIPO Committee).⁵⁹ The original intent of the WIPO Committee had been to submit the final draft of the treaty to a Diplomatic Conference in 1991,⁶⁰ although it is not unclear when, if ever, a final treaty will be available.

In the United States, the WIPO negotiations have led to debate on whether the United States should abandon the "first-to-invent" system and allow publication of patent applications eighteen

56. *IIPA Targets 22 Countries for "Special 301" Lists*, 5 WORLD INTELL. PROP. REP. (BNA) 63 (1991).

57. *Id.* The IIPA also asked that Cypress, Egypt, El Salvador, Germany, Italy, Korea, Pakistan, Saudi Arabia, Taiwan, the Soviet Union and Yugoslavia be placed on the Watch List. *Id.*

58. The most important international treaty covering IP rights is the International Convention for the Protection of Industrial Property, originally enacted in Paris in 1833 (Paris Convention). The Paris Convention provides for equal treatment toward nationals among member states with respect to patent rights and establishes certain filing priorities for patent applications. The Paris Convention has been supplemented in some respects by the PCT. The latest revisions of the Paris Convention appear at 212 U.S.T. 1583, T.I.A.S. No. 6923.

59. See *Report on Seventh Session of WIPO Committee Meeting on Harmonization*, 4 WORLD INTELL. PROP. REP. (BNA) 14 (1990) [hereinafter *Report on Seventh Session*].

60. *Id.*

months after filing. Both issues have traditionally been rejected by the United States as contrary to the rights of inventors.⁶¹ While many commentators have argued that the United States' objections to changes in these areas are beyond discussion, others have urged a more pragmatic view which recognizes the growing importance of European and Asian trading partners,⁶² and the technology generated and utilized in those regions, and seeks a trade-off designed to secure countervailing benefits for the United States in foreign countries.⁶³

The following were among the potential benefits to the United States noted in the proposed treaty:⁶⁴

1. *Grace Period.* Article 203 of the treaty would provide that a disclosure by the inventor, his successor in title, or one who has derived from him less than twelve months prior to his filing date or any earlier priority date, will not affect the patentability of his invention. It has been argued that the inclusion of this "grace period" should alleviate concerns regarding the "first-to-file" system and permit inventors in the United States to continue their traditional methods of discussing inventions prior to filing, a practice that exists because "first-to-invent" provides the inventor with the security that the discussed claims would accrue to his benefit upon post-publication filing.
2. *Patent Protection Exclusions.* Article 204 appears to substantially broaden the scope of inventions and technology for which patent protection would be available, including computer programs and other areas where existing protections in foreign countries have been deemed to be inadequate.
3. *Doctrine of Equivalents.* The "doctrine of equivalents," as practiced in the United States, allows a dominating patent to forbid operation of an improvement that is within the coverage of the claims of the first patent. In Japan, however, the doctrine is narrowly interpreted, leaving the existence of independently owned "side-by-side" patents which are very close in subject matter. It is expected that the treaty will recognize the broad interpretation practices of

61. See *Patent Harmonization: Is the U.S. Running Out of Time?* 4 WORLD INTELL. PROP. REP. (BNA) 19, 20 (1990) [hereinafter *Patent Harmonization*].

62. *Id.* at 19-20.

63. *Id.* at 20.

64. *Id.* at 21-22 and *Report on Seventh Session*, *supra* note 59, at 23.

the United States, allowing freer export of inventions from the United States to Japan and Europe without fear that a small modification to the original invention would be granted patent protection in the foreign country.

At the Eighth Session of the WIPO Committee, held in June and October-November 1990, the participants considered a substantially reorganized treaty proposal which included thirty-seven articles and eight rules.⁶⁵ The drafters accepted the United States proposals with respect to certain disclosures in patent applications, permitting corrections in the naming of inventors and in translations at any time, and withholding publication of pending applications up to twenty-four months after filing.⁶⁶ A number of significant issues, however, including "first-to-file," and the rights of prior users were deferred until the planned Diplomatic Conference to consider and vote upon a final form of treaty.⁶⁷ Other issues reserved for consideration and discussion at the Diplomatic Conference included the various concerns of many of the developing countries regarding the breadth of the fields of technology for which patent protection will be made available and the obligations that may be imposed upon holders of patent rights.⁶⁸

As the planned Diplomatic Conference drew near, the United States proposed adding a "first-to-invent" option to the treaty.⁶⁹ The proposal, set forth in a February 22, 1991 letter to WIPO Director General Arpad Bogsch from U.S. Commissioner of Patents and Trademarks Harry F. Mandeck, Jr., cited the following as factors which remain an influence on the official view of the United States: (1) the United States private section's failure to support a first-to-file system; (2) failure to conclude the TRIPs negotiations

65. *Report on Eighth Session of WIPO Committee Meeting on Harmonization*, 4 WORLD INTELL. PROP. REP. (BNA) 186 (1990).

66. *Id.*

67. *Id.*

68. *Id.* The "Group of 77" (a group of developing countries), introduced two new articles (X and Y) for discussion at the October-November 1990 meetings. These articles "would impose an obligation on the owner of a patent to make a complete and clear disclosure, including best mode, of his invention, to provide information regarding corresponding foreign applications, to work the invention in the territory of the patent, to pay periodical fees and to refrain from anticompetitive practices in respect of licenses and assignments." William J. Brunet, *Eighth Session (Second Part) of Committee of Experts on the Harmonization of Certain Provisions in Laws for the Protection of Inventions*, 9 PTC NEWSL. No. 2, Winter 1990, at 15. While most of the delegation objected to the new articles on the basis that they were not presented in a timely fashion, it was decided that they would be submitted to the Diplomatic Conference for consideration. *See id.* at 15.

69. *UPSTO Proposes First-to-Invent Option in Harmonization Treaty*, 5 WORLD INTELL. PROP. REP. (BNA) 93 (1991).

on schedule, which Mandeck contended would have promoted consensus forming on a package that includes the first-to-file concept; and (3) the PTO's recently formed Advisory Commission on Patent Law Reform's deliberation on the first-to-file system would not be available by the time that the Diplomatic Conference was scheduled to begin in June 1991.⁷⁰

The Manbeck letter caused great concern among the organizers of the Diplomatic Conference.⁷¹ Nevertheless, the WIPO, at an extraordinary session of the Paris Union held on April 29-30, 1991, decided to proceed as planned with the Diplomatic Conference. However, due to the United States proposal, WIPO decided to shorten the Diplomatic Conference by a week and to hold a second session of the conference in 1992, at which time the first-to-invent option would be formally considered.

At the first part of the Diplomatic Conference, which took place at The Hague on June 3-21, 1991,⁷² it became fairly clear that the United States' proposal for an option to retain its first-to-invent system had virtually no support from among the other participants.⁷³ Moreover, the following additional changes to the United States' patent system would need to be made in order for it to join the Treaty:

- * Publish pending patent applications two years after their filing or priority date.
- * Eliminate from the grace period publications or public uses by third parties who did not derive from the applicant.
- * Accord foreign applicants a one-year grace period from their foreign priority date.

70. *Id.* at 93-94.

71. *Extraordinary Session of Paris Union Debates Patent Harmonization Treaty*, 5 WORLD INTELL. PROP. REP. (BNA) 125 (1991). It was reported that some participants believed that the United States had committed, by virtue of a 1987 resolution of the ABA's Patent, Trademark and Copyright Law Section, to a "first-to-file" system and that the proposal for an option was, in effect, a renegement on the prior "promise." *PTC Section Debates Patent Changes at American Bar Association Meeting*, 5 WORLD INTELL. PROP. REP. (BNA) 280 (1991).

72. The Conference was attended by delegation of more than 80 Member States of the WIPO, two special delegations (the African Intellectual Property Organization and the European Patent Organization), five observer delegations (Costa Rica, India, Peru, Thailand and Venezuela), intergovernmental organizations including the United Nations, GATT, EC and the Latin American Economic System, and 36 non-governmental organizations, such as the American Bar Association. For a summary of the reaction of the ABA's Section of Patent, Trademark and Copyright Law to the latest WIPO developments, see *id.* at 280-81.

73. See William J. Brunet, *Report on Patent Authorization Treaty*, 5 WORLD INTELL. PROP. REP. (BNA) 213 (1991).

- * Make prior public use, sale or disclosure in foreign countries part of the prior art.
- * Set the term of U.S. patents at least 20 years from the filing date of the earliest U.S. application on which priority is based.
- * Eliminate secret commercial use by the inventor or non-public sale before the grace period as a basis for invalidating patents.
- * Eliminate experimental use as an exception to 35 USC 102(b).
- * Accord prior art status, for novelty but not for obviousness, to unpublished U.S. patent applications as of their foreign priority date or their United States filing date, whichever is earlier, provided such United States applications later become published.⁷⁴

In addition, it is believed that the United States might be required to "discontinue granting patents for plant and animal varieties and processes for their production, methods of medical treatment for humans or animals, and nuclear or fissionable material; eliminate the requirement for disclosure of the best mode contemplated by the inventor of carrying out his invention, or at least eliminate such requirement from priority documents; and provide for prior user rights."⁷⁵

Even as the United States is being asked to make a number of changes to its own existing patent system, other participants appear to be unwilling to adopt many of the elements of the so-called "balanced package" which the United States has been seeking as consideration for changing to a "first-to-file" system. For example, substantial opposition was expressed to including treaty provisions which would ensure that patents will be interpreted broadly and that patents would be enforced promptly and effectively.⁷⁶ Moreover, it is unlikely that the treaty would provide for patentability of inventions in all subject matters or for various provisions relating to filing and search and examination procedures.⁷⁷

As a consequence of the debate at the first Conference, it appears very unlikely that the United States will be able to join in any patent harmonization effort at this time. Commissioner Manbeck, commenting on events at the Diplomatic Conference, noted that the

74. *Id.*

75. *Id.* at 214.

76. *Id.* at 214.

77. *Id.* at 214.

new developments created a number of problems for the United States and that unless the proposed treaty provided for substantial improvements in the laws and practices of the other countries, it was not realistic to believe that the United States would join the Treaty as currently contemplated. Acceptance of the various changes proposed to existing law would require substantial lobbying efforts among various interest groups. Moreover, the unwillingness of other countries to consider new provisions designed to improve foreign patent laws would appear to make it difficult for United States groups to see the merit of any compromise with respect to domestic practices.⁷⁸

The prospects for agreement on an international patent accord are far from certain. Clearly, the United States continues to have reservations about the first-to-file initiative and continues to press for enforcement assurances that may be beyond the will of many developing countries.⁷⁹ For their part, the eleventh hour introduction of Articles X and Y by the Group of 77 is a reminder of how the developing countries view any negotiations regarding IP matters - technology must be transferred to the developing countries in order to facilitate their economic growth and independence. As such, limited bilateral negotiations or broad statements of intent may well be the best that can be hoped for in this area in the next few years.⁸⁰

THE URUGUAY ROUND: TRADE-RELATED ASPECTS OF IP RIGHTS

The efforts of the WIPO on patent harmonization were accompanied by the broader discussions regarding an international IP regime conducted under the auspices of the GATT negotiations in the Uruguay Round. Although the focus on IP issues is a new topic for general discussion at GATT negotiations relating to Trade-Related Aspects of Intellectual Property Rights (TRIP's) were conducted as

78. See *id.* at 214-15 for excerpts of Commissioner Manbeck's remarks.

79. Regarding the "North-South" dispute relating to intellectual property protection for United States pharmaceutical products, see 5 *WORLD INTELL. PROP. REP.* (BNA) 336-38 (1991) which articulates the concerns of United States manufacturers that widespread piracy in foreign countries is depriving them of the gains associated with many years of costly research and development.

80. Sen. Dennis DeConcini, chairman of the United States Senate Judiciary Committee's Subcommittee on Patents, Copyrights and Trademarks has remarked that "... [T]he absence of a meaningful system for the enforcement of minimum standards of intellectual property protection has left United States intellectual property concerns disenchanted with WIPO." Dennis Delancini, *Patent Protection Abroad For U.S. Pharmaceuticals*, 5 *WORLD INTELL. PROP. REP.* (BNA) 337 (1991).

part of the Uruguay Round.⁸¹ The United States and other developed nations had hoped that the TRIPs negotiations would address all or most of the following concerns with regard to the content and implementation of IP laws around the world:

1. *Paris Convention.* At present, a nation may be in compliance with the provisions of the Paris Convention, even though it may fail to provide protection to such important products as chemicals and pharmaceuticals. The United States has urged that patent protection be made available for all products and processes that are new, useful and unobvious.
2. *Compulsory Licensing.* Particularly in developing nations, the rights of patent holders are undermined by the practice of compulsory licensing which may severely diminish the value of the patent grant. While the United States recognizes the need for some limited form of compulsory licensing in certain circumstances, it has insisted on a clear definition of those instances where compulsory licenses may be granted. In addition, the United States would completely prohibit the grant of compulsory trademark licenses.
3. *Term of Patent Protection.* Many countries limit the term of a patent grant to as few as five years. The United States seeks a minimum term for patent protection of at least twenty years from the date of filing, as contemplated by the proposed WIPO treaty.
4. *Copyright Protection.* Many countries afford only limited copyright protection to books, motion pictures, records and tapes and, in many cases, the copyright protection enforcement procedures that do exist have proven ineffective. In addition, many countries have been slow to extend copyright protection to computer software and satellite retransmission. The United States has urged that copyright protection extend beyond that found in the Berne Convention and seeks adequate protection of computer programs (as literary works) under world copyright laws.
5. *Enforcement Procedures.* Enforcement procedures and penalties are limited or nonexistent in many countries. Furthermore, many IP attorneys believe that government policies are often intended to encourage the misappropria-

81. *Uruguay Round Crashes to a Halt - TRIPs, Other Negotiations on Hold*, 5 WORLD INTELL. PROP. REP. (BNA) 16 (1991) [hereinafter *Uruguay Round Crashes to a Halt*].

tion and exploitation of foreign-based technology. The United States has called for "at border" enforcement mechanisms that would restrict the entry or exit of infringing goods.

6. *Trade Secrets*. No international agreement exists with respect to the protection of trade secrets or other proprietary business information. The United States has called for the implementation of procedures designed to protect these sorts of technology rights.

When the Uruguay Round negotiations broke off in December 1990, due to the United States' and the EC's inability to reach an agreement covering trade in agriculture, the fate of the TRIPs agreement remained very much in doubt.⁸² Among the outstanding issues left unsettled within the context of the TRIPs negotiations were: the inclusion of moral rights in copyright protection, which is denied by the United States; the duration of protection for software (whether it is considered a literary work or not); the conditions linked to the use of trademarks; the scope of design protection; and the special rules on geographical indications for the protection of wine as envisaged by the European Community. Moreover, the scope of technology which may be afforded patent protection remains unresolved, as does the utility of compulsory licensing requirements.⁸³ In any event, key differences remain between the developed and the developing countries. It is clear that the United States will continue to emphasize IP law improvements in the context of overall trade discussions, whether in the form of a TRIPs agreement or as part of separate bilateral treaty negotiations.⁸⁴

On November 7, 1991, the Trade Negotiations Committee of the GATT Secretariat issued a status report on the TRIPs negotiations, including the following comments on three categories of issues to be resolved:

First, decisions are required on some twenty key issues concerning the level and nature of the standards of protection of intellectual property rights to be included in a TRIPs agreement. The main points for decision lie in the areas of copyright, geographical indications and patents, although there are some outstanding issues in other parts as well. In the patent area, for example, it remains to be decided to what extent it will be possi-

82. *Uruguay Round Crashes to a Halt*, *supra* note 81, at 16.

83. *Swiss Intellectual Property Office Reports on Status of TRIP's Talks*, 5 WORLD INTEL. PROP. REP. (BNA) 185-186 (1991).

84. *See supra* note 73, at 214.

ble to agree that patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced, as well as to determine the term of patent protection. In the area of geographical indications, it has to be decided whether additional protection should be available for wines and spirits, and the scope of and conditions on exceptions to such protection. In the area of copyright, outstanding issues include the nature of protection of computer programs and of rental rights. . . .

A second category of decision that remains to be taken are those that will govern the timing of the economic impact of the results. This concerns not only the duration of the special transition periods that developing and least-developed countries will be entitled to, but also the extent to which the new obligations will apply to existing works, inventions and other subject matter as well as certain specific proposals regarding products whose marketing is subject to delay due to regulatory requirements. In regard to these matters, it is clear that participants are not only sensitive to the specific issues arising in regard to the phasing-in of TRIPS commitments, but also to how the timing of their economic impact with that of commitments that will be entered into in other areas of the Uruguay Round.

The third set of issues that have to be settled concerns the institutional framework for the international implementation of the results of the negotiations on TRIPS.⁸⁵

Some industry representatives have suggested that TRIPs participants might favor a form of intellectual property "code," with limited membership, rather than a new article in GATT dealing with IP rights.⁸⁶ It is believed that many newly industrializing countries, such as those in Eastern Europe, would agree to adhere to an IP code in order to insure that an incentive exists for innovation and research and development in those countries.⁸⁷ Such a code might include provisions on twenty year patent protection, limits on compulsory licensing and coverage of pharmaceutical and previously patented products, particularly when the time for development is extremely long.⁸⁸ Such a code would also serve as a basis for further bilateral negotiations.⁸⁹

85. *Gatt Hopeful of Trade Agreement As Year-End Deadline Approaches*, 5 WORLD INTELL. PROP. REP. (BNA) 331, 332 (1991).

86. *See Limited Intellectual Property Code Expected from Talks, PMA's Bale Says*, 4 WORLD INTELL. PROP. REP. (BNA) 218 (1990).

87. *See id.*

88. *Id.*

89. *Id.*

REGIONAL DEVELOPMENTS I: THE EC

Harmonization of IP Standards.

A number of proposals remain before the EC concerning harmonization of IP standards in the context of the economic integration process of "Europe 1992."⁹⁰ Among the matters still under consideration are the Copyright "Green Paper," the patent protection proposal for biotechnology inventions, and the implementation of EC trademark and patent laws.⁹¹ As a general matter, the following items are of note:⁹²

1. *Community Trademark* Although the EC has previously agreed to a proposal designed to harmonize national trademark laws, the most important pending item is the implementation of a Community Trademark (CT) which would be valid in all twelve member states. If approved, the CT would be the first EC-wide IP instrument established by statute, rather than a treaty-originated device such as the EPC. Controversy has centered on the location of the Trademark Office, with Spain and Luxembourg both putting forth their cases for having the office domiciled in their country. Additional political problems have arisen respecting the languages to be used in the application. It is believed that agreement may finally be reached on a requirement that applications be filed in a choice of two languages chosen by the applicant, hopefully this will lead to some uniformity regarding the use of English or French. Other compromises are expected concerning prior search requirements and fees.
2. *Biotechnology Patent Protection.* A biotechnology patent proposal was issued in October 1988 in order to insure that different national rules did not prevent the free flow of patented products in that area. Little progress, however, has been made on the proposal due to a perceived lack of consensus among EC members regarding appropriate policies relating to biotechnology developments. A key concern is the distinction between plant breeders' rights and industrial biotechnology inventions. This concern has resulted in internal strife between the Directorate Generals of Industry, Agriculture and Science, and Research and Devel-

90. *Status Report on Community's Intellectual Property Proposal*, 4 WORLD INTELL. PROP. REP. (BNA) 67-69 (1990).

91. *Id.* at 68.

92. *Id.* at 67-69.

opment. In April 1991, the EC Commission attempted to break the logjam surrounding regulation of the biotechnology industry by issuing a new policy paper entitled "Biotechnology: Ending the Fragmentation of The European Market To Produce An Even More Competitive Industry."⁹³ The paper called for enhanced patent protection and the creation of a committee to examine the ethical questions of a dialogue with the member states and other interested parties; however, the initial response to the measure was mixed and new developments are not expected in the near future.⁹⁴

3. *Community Patent Convention.* A final draft of the Community Patent Convention (CPC),⁹⁵ which would create a patent valid throughout the twelve member states with a single registration procedure, was available in December 1989. Initially, a number of concerns existed as to whether all of the EC countries would ratify the CPC, although it is now expected that the CPC will be implemented by 1993. The CPC would allow an inventor to obtain a single patent that affords uniform patent protection in all of the EC member states. However, industry experts have expressed concern as to the costs and fees associated with the CPC, given the extensive translation requirements and the registration costs.⁹⁶ As such, the overall viability of the CPC

93. *EC Proposes Biotech Strategy to Cut Regulatory Burdens*, 5 WORLD INTELL. PROP. REP. (BNA) 143 (1991).

94. *Id.* at 143. In an interesting development relating to biotechnology, the Technical Board of Appeal of the European Patent Office (EPO) remanded the "Harvard Mouse" application to the Examining Division for reconsideration. The Examining Division had refused to issue a European patent for a genetically engineered mouse on the grounds that Article 53(b) of the EPC does not permit a patent to be issued with respect to an animal. The Examining Division was ordered to give further consideration to the exceptions to patentability under article 53(b) on the grounds that article 53(b) excludes only certain categories of animals from patentability, and does not create a general exception from patentability for *all* animals. If the Examining Division were to find that the "mouse" did not fall into one of the excluded categories under article 53(b), it would consider the matter in light of article 53(a) of the EPC, which restricts the grant of a patent for inventions contrary to the "order public" or morality. See *EPO to Reconsider "Harvard Mouse" Application*, 4 WORLD INTELL. PROP. REP. (BNA) 264 (1990); *Decision of EPO's Technical Board of Appeal "Harvard Mouse" Application*, 4 WORLD INTELL. PROP. REP. (BNA) 285 (1990). Ultimately, the EPO granted limited protection.

95. The Convention of the European Patent for the Common Market, commonly referred to as the Community Patent Convention, was originally executed in 1975 and would come into effect only upon ratification by all EC members. The CPC would create a common system of law for granting patents within the EC, although each state would still have the right to issue its own national patent.

96. See *Community Patent Convention is Open for Signature, but Questions Remain*, 4

remains in great doubt.⁹⁷

4. *European Patent Convention*. As the fate of the CPC was being determined, membership in the European Patent Convention expanded to cover 14 European countries. The EPC provides for a centralized filing, prosecution and grant procedure which is common for all member countries. Once the patent has been granted, it operates as a bundle of essentially identical national patents in the selected countries. The EPC does not cover all of the countries in the EC, although it does cover several countries which are not yet members of the EC.
5. *Design and Model Protection*. The EC Commission announced its intention to begin discussions aimed at ultimately proposing a Green Paper with respect to a community-wide system of registration of models and designs. It is expected that such a system would incorporate relatively simple registration requirements, with no prior search or examination procedures.
6. *Semiconductor Chips*. A 1986 directive to the member states requesting that the states enact legislation to protect topographies of semiconductor products has been followed by every state except Greece.
7. *Copyright*. In December 1990, the EC Commission adopted a program for enforcing copyright laws and related rights in the EC.⁹⁸ The proposal set forth a timetable for introducing various directives on the harmonization of national systems relating to various copyright laws, including the scope of legal protection of data bases; the term of protection for copyright and certain neighboring rights; rental rights; and the harmonization of national systems of remuneration in respect to private copying of films, video cassettes, records, and audio.⁹⁹ The Commission was to undertake various analyses and studies regarding an au-

WORLD INTELL. PROP. REP. (BNA) 4-5 (1990) [hereinafter *Patent Convention*]. For a discussion of the European Community Patent System, see Christian Hilti, *The Future European Community Patent System and its Effects on Non-EEC-Member-States*, 18 AIPLA L.Q. 289 (1990).

97. See *Patent Convention*, *supra* note 96, at 4-5.

98. See *Program for 1992 Sets Broad Agenda on Copyright Issues*, 5 WORLD INTELL. PROP. REP. (BNA) 55 (1991) [hereinafter *Program for 1992*]. The text of the program can be found at *European Community's Copyright Action Program, "1992" Enforcing Copyright and Fighting Piracy*, 5 WORLD INTELL. PROP. REP. (BNA) 41 (1991).

99. *Program for 1992*, *supra* note 98, at 55-56.

thor's moral and resale rights.¹⁰⁰ Finally, the Commission was to study the position of the EC with regard to the status of copyright protection in non-member countries.¹⁰¹

While the process of bringing complete harmonization to IP law in the EC will take some time, national rights will likely continue to exist and remain the dominant concern for firms contemplating technology transfers in or out of the EC. As such, firms must continue to take note of particular provisions in each country where they wish to conduct business. Moreover, even an attempt to harmonize the laws of each nation, while retaining the separate national rights, may take some time.¹⁰²

Protection of Computer Programs.

The EC's Directive for Protection of Computer Programs (Directive)¹⁰³ attracted attention from industry experts around the world. Generally, the experts feel that the initial draft of the Directive needs to be amended to clarify the content of various EC-wide standards in order to permit consistent business planning decisions. The original proposal led to the following specific comments:¹⁰⁴

1. *Standard Definition of Originality.* Since each of the member states apply different definitions of the degree of originality required for programs to be copyrighted subject matter, the experts recommended that the EC Commission establish an EC-wide standard of originality, which simply states that the program must not have been copied.
2. *Exclusions.* The Directive originally provided that protection would be available for program expression in any form, but would not extend to the "ideas, principles, logic algorithms or programming languages." The experts feared that a broad interpretation of the listed exclusions would undermine the degree of copyright protection for

100. *Id.* at 56.

101. *Id.*

102. For a summary of the current status of intellectual property efforts in the EC, including advice as to compliance with various specific initiatives, see *Intellectual Property and the EEC*, *supra* note 13, at 159-72.

103. Proposal For A Council Directive On The Legal Protection Of Computer Programs, O.J. No. C91/13 (1989). The legal effect of a Directive, once adopted, is to require that all twelve of the EC Member States adopt implementing national laws by a date specified in the Directive.

104. See Fred Greguras, *The EC's Proposed Directive on Protection of Computer Programs: Comments from the Silicon Valley*, 4 WORLD INTELL. PROP. REP. 42 (1990) [hereinafter Computer Programs].

user interfaces and programs. Therefore, the experts suggested that all exclusions except for "ideas" be deleted.

3. *Infringement.* The proposed Directive defined one form of infringement as "possessing an unauthorized copy of a program, knowing or having reason to believe it is an infringing copy." This standard is similar to that applied under Japanese law and reflects a trend for future copyright law amendments. The experts have urged the EC Commission to set a standard for what constitutes infringement of a program in a network operating environment.
4. *Moral Rights.* The proposed Directive did not address moral rights and the experts suggested that a specific standard be established which makes it clear that moral rights do not arise with respect to programs.
5. *Reverse Engineering.* The explanatory memorandum relating to the Directive appeared to suggest that reverse engineering would be allowed in order to implement an identical idea in a new program, provided that the same expression was not used. "Reverse engineering," however, would appear to be inconsistent with the lack of an express exception for copying in the Directive. The experts *strongly* suggested that the EC Commission amend the proposed Directive to clearly establish standards setting forth when "reverse engineering" constitutes infringement.¹⁰⁵
6. *User Rights.* It is the intent of the EC Commission to protect users against limitations on their basic user rights. The proposed Directive allowed a party who acquired a copy of a program without a license agreement signed by both parties, to copy and adapt the program as necessary for the use of the software, without authorization of the copyright owner. The experts urged the EC Commission to clarify the differentiation, if any, between the rights possessed by a rightful possessor and an owner of a copy, particularly given the increasing use of mass marketing techniques for software, which necessarily result in the lack of signed license agreements.

105. See William Lake, et al., *Tampering with Fundamentals: A Critique of Proposed Changes in EC Software Protection*, 6 COMPUTER LAW. 12:1 (December 1989) (Arguing vigorously against any modifications to EC copyright protection that would have the effect of facilitating reverse engineering activities).

On July 11, 1990, the European Parliament made a key amendment to the draft Directive by permitting "reverse engineering" of computer programs in certain instances.¹⁰⁶ Under the amendments, "reverse engineering" may be undertaken for the sole purpose of achieving interoperability of an independently created program with other programs, provided that the "reverse engineering" is only performed by a program licensee or another person who has a right to use a copy of a program; that only those parts of the original program that are necessary to achieve interoperability are decompiled; and that the information necessary to make the software compatible with other software has not previously been readily available.¹⁰⁷ The Parliament also endorsed other amendments, including a provision that states that "ideas and principles which underlie any aspect of a program, including its interfaces, shall not be protected by copyright."¹⁰⁸

Reverse engineering and the protection of interfaces have been among the most controversial issues associated with the evolution of the Directive. Following the actions of the Parliament in July 1990, the Directive was sent to the EC Council of Ministers for an initial opinion, or "common position," which was adopted in December 1990.¹⁰⁹ The Directive was returned to the Parliament for a second reading and was finally approved by the Council of Ministers on May 14, 1991.¹¹⁰ Member states must now proceed with the adoption of national laws which implement the Directive, a process that is supposed to be completed by January 1, 1993.¹¹¹ As a result,

106. See *Parliament Okays Software Directive with Reverse-Engineering Compromise*, 4 WORLD INTELL. PROP. REP. (BNA) 176-77 (1990). The amendments also made it clear that reverse engineering could not be used "for the development, production or marketing of a program substantially similar [to the original one] in its expression[,] or for any other act which infringes copyright." In addition, reverse engineering would not be permitted for maintenance purposes or for the correction of errors, as had been the case under earlier drafts of the Directive.

107. *Id.*

108. For a discussion on the protection of interfaces of computer programs in the United States, see Alan S. Gutterman, *Copyright and Computer Programs: "User Interface" Meets "Look-and-Feel"*, 12 CEB CAL. BUS. L. RPTR. 161 (Jan. 1991); Ronald Abramson, *Why Lotus-Paperback Uses the Wrong Test and What the New Software Protection Legislation Should Look Like*, 7 COMPUTER LAW. 8:6 (December 1990).

109. *EUROPEAN COMMUNITY: European Parliament Approves EC'S Directive on Software*, 5 WORLD INTELL. PROP. REP. (BNA) 113 (1990).

110. *Council of Ministers Approves EC's Directive on Software*, 5 WORLD INTELL. PROP. REP. (BNA) 141 (1991).

111. *Id.* For a discussion of the process of adopting national legislation to guarantee harmonized copyright protection for software in the EC, see *id.* at 142. For a survey of how the EC Software Directive will affect European national laws, see *How will the EC Software Directive Affect European National Laws*, 5 WORLD INTELL. PROP. REP. (BNA) 186-190

United States software companies conducting business in the EC will need to make proper modifications to the terms of their distribution and licensing agreements.

Priority Watch List.

The EC was placed on the Priority Watch List by the USTR in 1991 for market access restrictions that limit United States audiovisual exports. The EC Broadcast Directive, adopted in October 1989, directs EC member states to ensure "where practicable" that TV broadcasters reserve a majority of broadcast time for European works. The Directive takes effect on October 3, 1991, and imposes various quotas: France — sixty percent of programming must be European, and after January 1, 1992, sixty percent of prime-time programming must be European; Italy — forty percent of televised feature films on independent channels must be European, increasing to fifty-one percent by 1994; UK — a majority of programming time on independent channels must be European — informal BBC guidelines are even stricter; Spain — forty percent of programming must be produced in the EC; Portugal — majority of broadcast time must be European.¹¹²

REGIONAL DEVELOPMENTS II: EASTERN EUROPE

As Western Europe considers a number of measures designed to achieve economic and political integration among the various EC member states, the emerging economies of Eastern and Central Europe have thrust themselves upon the global economic stage. As such, IP developments in this region promise to be rapid and, at times, erratic, as the former Eastern Bloc countries struggle with the transition from a statist economy to a "free-market" system. Moreover, the recognition of IP rights depends, to a large extent, upon the general evolution of private property rights within this region.

The continuing interest in trade with Eastern Europe has led to a number of studies of the current state of IP rights in that region. For example, on November 20, 1990, the International Intellectual Property Alliance (IIPA) released a study in which it found "sub-

(1991). Among the main areas that will need to be addressed in amending the various national laws in order to conform to the Directive are: the originality requirements; the authorship of programs written by employees; the exceptions to the rightholders' exclusive rights, especially the reverse engineering exception; and the term of protection. *Id.* at 186.

112. *Supra* note 45. See also *EC Unconcerned By Its Placement on USTR's Priority Watch List*, 5 WORLD INTELL. PROP. REP. (BNA) 143 (1991) (EC's reaction to its inclusion in the Priority Watch List).

stantial shortcomings" in copyright legislation and enforcement in Eastern Europe.¹¹³ These shortcomings deny American firms the opportunity to participate in potentially significant markets.¹¹⁴ Among the items noted in the IIPA study are the following:¹¹⁵

1. *Berne Convention*. Certain countries, such as Poland and Romania, still do not adhere to the "substantive provisions" of the Berne Convention, although Poland had previously agreed to do so in prior trade negotiations with the United States.
2. *Sound Recordings*. As of the date of the study, only Czechoslovakia and Hungary provided a clear basis for protecting United States sound recordings. Throughout the region, sound recordings are often granted fewer rights than other copyrighted works, and those rights often last for only twenty to twenty-five years, rather than the "internationally accepted norm" of fifty years.
3. *Computer Programs*. Protection for computer programs is expressly recognized in only Hungary, Czechoslovakia and Yugoslavia, although Poland and Bulgaria had recently agreed with the United States to provide some form of protection in the near future.
4. *Copyright License Terms*. Most of the Eastern European countries continued to regulate the terms of copyright licenses, including royalty rates.

In addition, the study noted the lack of strong enforcement procedures with respect to copyrighted works, leading to significant piracy throughout the region with movies, music and computer software.

Former Soviet Union

The disintegration of the former Soviet Union has contributed to the general uncertainty regarding the development of "Western-

113. *IIPA Finds Inadequate Copyright Protection, Seeks Improvements*, 5 WORLD INTELL. PROP. REP. (BNA) 6 (1991) [hereinafter *IIPA Finds Inadequate Copyright Protection*].

114. *Id.*

115. *See id.* at 6-7; *Excerpts from International Intellectual Property Alliance (IIPA) Report on "Copyright Laws of Eastern Europe and the USSR"*, 5 WORLD INTELL. PROP. REP. (BNA) 20, 20-22 (1991) [hereinafter *Excerpts*]. The report was prepared in order to assist the United States government in negotiating trade and investment treaties with countries in that region. *See id.* at 20-21. For a summary of recent changes in the patent and trademark laws of the former Eastern Block countries, see *New York Seminar Examines IP Changes in Eastern Europe*, 5 WORLD INTELL. PROP. REP. (BNA) 126, 126-27 (1991) [hereinafter *New York Seminar*].

style" IP regimes in that region. Prior to the events of 1991, it was believed that the Soviets were willing to adopt wholesale changes to the laws relating to patents, copyrights and trademarks. For example, in June 1990 the former Soviet Union and the United States consummated a new trade agreement which called for, among other things, product and process patent protection for all areas of technology; copyright protection for literary, scientific and artistic works, (including computer programs and data bases as literary works); adherence to the Berne Convention, to which the Soviet Union does not belong; protection of foreign sound recordings, trademarks, and trade secrets; and protection against unfair competition.¹¹⁶

As of early 1991, the former Soviet Union had yet to complete the process of formally approving the sweeping revisions to its IP laws. Although the sheer size of the market in the former Soviet Union will continue to make it attractive to foreign investors, the rise of the individual territories within the Soviet Union, and the territories' desire to regulate their own IP activity, will complicate the process of uniformly improving the IP situation in a region that holds the potential for significant breakthroughs in the areas of science and technology.¹¹⁷

The Fifth Session of the Supreme Soviet finally enacted a new patent law on May 31, 1991¹¹⁸ and the law became effective as of July 1, 1991.¹¹⁹ The final form of the law generally reflected the contents of the Draft Patent Harmonization Treaty prepared under the auspices of the WIPO.¹²⁰ In addition, new copyright¹²¹ and trademark¹²² laws were adopted during 1991. However, with the

116. *SOVIET UNION: New Patent, Trademark, and Copyright Laws Move Forward*, 5 WORLD INTELL. PROP. REP. (BNA) 34 (1991).

117. For the English translation of the draft Soviet Trademark Law, see *id.*, 5 WORLD INTELL. PROP. REP. (BNA) 42 (1991).

118. *Soviet Union Enacts New Patent Legislation*, 5 WORLD INTELL. PROP. REP. (BNA) 207 (1991).

119. Michael N. Meller, *Analysis of New Soviet Patent Law*, 5 WORLD INTELL. PROP. REP. 281 (1991). For a text of the Law of the Union of Soviet Socialist Republics on Inventive Activities in the USSR, see 5 WORLD INTELL. PROP. REP. at 216-224.

120. *Supra* note 118 at 207. The Soviet Union had become a member of the Patent Cooperation Treaty. *Id.* For an analysis of the Soviet Patent Law, see Michael N. Meller, *Analysis of the New Soviet Patent Law*, 5 WORLD INTELL. PROP. REP. (BNA) 281-84 (1991).

121. *New Copyright Law Enacted, But U.S. Groups are Skeptical*, 5 WORLD INTELL. PROP. REP. 208. The Copyright Law was enacted May 31, 1991, was published in the June 26, 1991 issue of IZVESTIYA and was to become effective on January 1, 1992. *Id.* The text of the law appears at 5 WORLD INTELL. PROP. REP. 225-27 (1991).

122. Dr. Alexander von Fünér, *Analysis of New Soviet Trademark Law*, 5 WORLD INTELL. PROP. REP. (BNA) 317 (1991). The new Soviet Trademark Law was signed on July 3, 1991 and was to become effective on January 1, 1992. *Id.*

breakup of the Soviet Union, the future of IP developments was left to each of the newly-independent republics and it is unclear what, if anything, they will borrow from the new legislation adopted so recently.

Hungary

In contrast to many of the other countries in Eastern Europe, the Hungarians have some history of dealing with the free market and individual enterprise. As such, one could expect that Hungary would be at the forefront of analyzing and adopting new forms of IP protection. Hungary, as well as Czechoslovakia, have received a number of patent applications from the West over the last few years and, fortunately, the country has a reservoir of patent attorneys who are capable of processing the patent requests on a timely basis. Hungary, however, has been slow to adopt changes in its patent laws, apparently preferring to wait until the WIPO treaty discussions have been completed.

When Hungary does begin to seriously consider changes to its existing patent laws, a number of issues need to be addressed. Among the most important is the degree of protection which will be given to chemical and pharmaceutical products. For many years, the Hungarian pharmaceutical industry has been quite successful in manufacturing, in generic form, the patented products of Western pharmaceutical companies and selling those products in countries that have no patent protection for pharmaceuticals. As such, some domestic resistance to implementing patent protection in this area can be expected, although eventually it is predicted that protection will ultimately be extended to these items, perhaps after allowing for some period of adjustment within the local pharmaceutical industry. Other areas where Western countries will seek new or modified provisions in the Hungarian patent laws include a one-year grace period, a meaningful doctrine of equivalents and the clarification of the law to provide that patent infringers will pay actual damages.

Hungary has been working on a utility model and semiconductor chip protection act for some time and drafts of each of these laws were approved by the Hungarian cabinet in early 1991 and have been forwarded to the Hungarian Parliament for review and adoption.¹²³ WIPO has studied the drafts in advance and opined

123. See Michael Lantos and Dr. Attila Bogesch, *Recent Developments in the Protection of Intellectual Property in Hungary*, 5 WORLD INTELL. PROP. REP. (BNA) 71-75 (1991).

that they meet international standards.¹²⁴ However, due to the great number of measures awaiting review by the Parliament, it is not certain when the laws will be considered or implemented.

The "Unified" Germany

Germany's Unification Treaty of October 3, 1990, which resulted in the unification of the former West and East Germany, embraces all of the legislation in the field of IP rights.¹²⁵ Among the factors that should be considered in pursuing protection of IP rights in the "Unified" Germany are the following:¹²⁶

1. *Patent Offices.* There are no longer two patent offices in Germany. The German Patent Office is now in Munich, with a branch in Berlin. Any application filed after October 3, 1990 must be filed in the Berlin office and will have effect in all of Germany. The same rule applies to treaties to which the former West Germany was a party (*i.e.*, the PCT, the Madrid and Hague Agreements and the EPC).
2. *Pre-Unification Rights.* As for filings which were made prior to October 3, 1990, the rights that follow from those filings are limited to their respective territories and continue to be governed by the laws applicable prior to the date of Unification. Therefore, patents granted or marks registered in the former West Germany will continue to be valid in that area. The same rule will apply to East German filings. Since there were no utility models in East Germany, utility models granted in West Germany will apply nationally, as is the case with industrial designs.
3. *Extension of Pre-Unification Rights.* Legislation is anticipated that would extend IP rights granted in one of the territories prior to unification to the other territory. Persons holding patents in both territories, including persons who filed for a patent in East Germany in anticipation of future unification, will need to choose which patent he wishes to maintain, presumably opting for the patent with the broadest claims. As for trademarks, owners of former

124. *Id.*

125. For further developments on the effect of unification on the IP laws in German, see Michael N. Meller, *Reawakening of Eastern Europe Requires Rethinking of Strategies*, 4 WORLD INTELL. PROP. REP. (BNA) 129 (1990); Axel Hansmann, *Piracy, Utility Model Law Changes Took Effect in July*, 4 WORLD INTELL. PROP. REP. (BNA) 178 (1990); *No Quick Merger of I.P. Regimes, Justice Ministry Official Warns*, 4 WORLD INTELL. PROP. REP. (BNA) 247 (1990) [hereinafter *Quick Merger*].

126. *Quick Merger*, *supra* note 125, at 247.

East German marks will have the right to file oppositions on those trademark applications that are published by the Patent Office in Munich. Where two identical trademarks exist, each owner will retain the right to use the mark only in his original territory. Owners of a mark that exists in both territories, hopefully will be able to reach some agreement as to use, given that goods will flow freely within the unified Germany.

Poland

As part of a comprehensive business and economic agreement consummated with the United States on March 21, 1990, the Polish government agreed to adopt "major new intellectual property standards which are among the most sophisticated in the world," according to representatives of the Bush Administration.¹²⁷ The agreement is expected to serve as a model for future agreements with the emerging Eastern European democracies. It calls for the following:¹²⁸ (1) adherence to the Berne Convention; (2) copyright protection of computer software and protection of integrated circuit layout designs; (3) product, as well as process, patent protection for pharmaceuticals and chemicals; and (4) protection of proprietary information.

Real progress in Poland, however, has been quite slow, and it is difficult to predict when that country will be in a position to implement any of the broad reforms, including enhancements to its IP rights, which had been contemplated at the beginning of its liberalization period. Moreover, piracy has become a significant problem in Poland and has begun to threaten the growth of key new markets in neighboring areas such as Czechoslovakia and Hungary.

Czechoslovakia

A comprehensive trade agreement between Czechoslovakia and the United States was to be approved in late 1990.¹²⁹ The agreement included a number of provisions relating to IP, and the parties agreed to continue to provide "adequate and effective protection and enforcement" for intellectual property rights.¹³⁰ Specifi-

127. *Polish-U.S. Economic Treaty Provides for Intellectual Property Protection*, 4 WORLD INTELL. PROP. REP. (BNA) 95 (1990).

128. *Id.* at 95.

129. *President Submits U.S.-Czech Trade Agreement to Congress*, 4 WORLD INTELL. PROP. REP. (BNA) 232 (1990).

130. *Id.*

cally, both nations agreed to use their "best efforts" to draft and implement legislation intended to provide copyright protection for computer programs; to extend the term of protection for audiovisual works to at least fifty years from the date that the work is made public; to provide protection for sound recordings for a term of at least fifty years from publication, with the right to prevent any unauthorized distribution or reproduction; to provide protection for integrated circuit layout designs; to provide product and process patent protection for all areas of technology; and to provide for comprehensive protection of trade secrets.¹³¹

In furtherance of its obligations under the agreement with the United States, Czechoslovakia adopted a new patent code, effective January 1, 1991.¹³² The new law extended patent protection to several new classes of products and abolished the legal concept of "authors' certificates," under which the inventor surrendered all rights to the state in exchange for the payment of royalties.¹³³ The new patent law provides for patent protection for a term of twenty years and protection of industrial designs for five years, with the right to extend the term for an additional ten years.¹³⁴ Patents may now be granted for products or processes that are new, usable, and nonobvious.¹³⁵ Compulsory licensing will be limited to cases in which the public welfare outweighs any specific rights of the individual inventor.¹³⁶ Effective June 20, 1991, Czechoslovakia acceded to the PCT, thereby allowing applicants from other PCT contracting states to file international patent applications designating Czechoslovakia.¹³⁷

131. *Id.* For additional commentary regarding intellectual property rights in Eastern Europe, including Czechoslovakia, see *Washington Conference Examines I.P. Rights in Eastern Europe*, 4 WORLD INTELL. PROP. REP. (BNA) 252 (1990) [hereinafter *Washington Conference*].

132. *Czechoslovakia Revamps Patent Law to Comply with U.S. MFN Conditions*, 5 WORLD INTELL. PROP. REP. 29 (BNA) (1990) [hereinafter *Czechoslovakia Revamps Patent Law*]. Czechoslovakia has been overwhelmed by patent applications from the West; however, Czechoslovakia has been unprepared for the burden of processing the flood of applications due to the lack of any internal patent attorney and review procedures. It is anticipated that Czechoslovakia may seek relief through the EPC, to which Czechoslovakia has been an informal applicant, or may implement a Patent Importation or Patent of Confirmation to alleviate some of the backlog and provide some form of interim patent protection. For a translation of selected portions of the Czechoslovakian law on inventions, industrial designs and related proposals, see *Czech Law on Inventions, Industrial Designs and Rationalization Proposals*, 5 WORLD INTELL. PROP. REP. (BNA) 99 (1991).

133. *Czechoslovakia Revamps Patent Law*, *supra* note 132, at 29.

134. *Id.*

135. *Id.*

136. *Id.*

137. *New York Seminar*, *supra* note 115, at 127.

Yugoslavia

Yugoslavia adopted a new patent law in 1990.¹³⁸ The new law included a variety of changes sought by the United States, including: extending the term of patent protection to twenty years from the date of filing; eliminating the mandatory use of a Yugoslav trademark in conjunction with a foreign mark; introducing patent protection for nuclear devices and food products; and introducing product and process protection for alloys and certain chemical compounds such as pesticides.¹³⁹ Pharmaceuticals will be entitled to patent protection beginning in 1993, which may lead to Yugoslavian membership in the EPC.¹⁴⁰ Furthermore, copyright protection is now provided for computer programs and literary works.¹⁴¹ Problems regarding the criteria for granting compulsory licenses and the protection of trade secrets.¹⁴²

General Strategic Observations

Developments in the "new" Central and Eastern Europe present a number of interesting alternatives for future IP strategies.¹⁴³ Planners should consider the anticipated desire of many countries to develop a Western-style economic, legal and competitive infrastructure.¹⁴⁴ Planners should also remember that these countries, although economically "backward" in a number of ways contrasted to their Western European neighbors, have a rich cultural and intellectual background, which promises to accelerate their ability to absorb the lessons from the West.¹⁴⁵

Western countries will be urged to assist the Central European countries in the development of their intellectual property laws and to establish a system that is conducive to Western-style participation.¹⁴⁶ As such, those countries will find the need to allocate

138. *Washington Conference*, *supra* note 131, at 252.

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.*

143. See Michael N. Meller, *Reawakening of Eastern Europe Requires Rethinking of Strategies*, 4 *WORLD INTELL. PROP. REP.* (BNA) 129, 129-30 (1990).

144. *Id.*

145. *Id.* at 130.

146. *Id.* at 130. The heads of the patent offices of Poland, Czechoslovakia, Hungary and the Soviet Union have each recently visited the European Patent Office to discuss possible forms of technical cooperation, as well as the various changes in national laws that would be required for each country to be considered for membership in the EPO. See *Hungarians, in Visit to EPO, Discuss Process of Conforming Patent System*, 4 *WORLD INTELL. PROP. REP.* (BNA) 119 (1990).

greater internal resources to filing strategies in this region. Within the region, however, the opportunities for a meaningful return on the funds invested for patent applications remains somewhat limited.¹⁴⁷ Hungary and Czechoslovakia appear to provide the best near-term potential, and the former Soviet Union remains important due to the size of its market.¹⁴⁸ A number of commentators are concerned that new states within the old Soviet Union may seek to assert their own system of IP rights. As for other countries in this region, such as Poland, Romania, Bulgaria and Albania, the realistic prospects for any return within the next decade are perceived to be marginal.¹⁴⁹

A survey conducted by the International Federation of the Phonographic Industry concluded that copyright protection in the countries of Eastern Europe was largely inadequate, with widespread piracy and an overall lack of enforcement mechanisms.¹⁵⁰ While Bulgaria provides for 50-year protection for sound recordings and criminal penalties for infringement,¹⁵¹ other countries suffer from a lack of effective enforcement procedures and criminal penalties, as well inadequate terms of protection.¹⁵² Moreover, pirates in Poland, where there is no current law protecting producers' rights, dominate the domestic market and hold substantial shares of the markets in the neighboring countries, particularly the CSFR and the neighboring republics of the old Soviet Union.¹⁵³ Also, a number of stores throughout Eastern Europe stock pirated recordings and offer their customers in-house copying onto cassettes either purchased at the time or brought into the store.¹⁵⁴

The disintegration of the former Eastern Bloc will create a number of new intellectual property regimes. For example, a new industrial property law is being drafted by the Slovenia Republic,

147. Michael N. Meller, *Hungary, Czechoslovakia Lead the Way in Eastern Europe's Transformation*, 5 WORLD INTELL. PROP. REP. (BNA) 38 (1991).

148. *See id.* at 38-39.

149. *Id.* at 38.

150. *IFPI Survey of Copyright Protection for Recordings*, 5 WORLD INTELL. PROP. REP. (BNA) 267 (1991).

151. *Id.*

152. Enforcement procedures in the Czech and Slovak Federative Republic ("CSFR") were perceived as inadequate and piracy was found to be substantial in Hungary, where no criminal sanctions exist. Yugoslavia had no law relating to producers' rights and it was believed that pirates had captured 100% of the market in Romania. *Id.*

153. *Id.* Attempts have been made to encourage the Polish government to introduce new legislation that will address existing concerns. However, early drafts contained only a 25-year reproduction right and no right to authorize or prohibit the distribution, rental, broadcast or public performance of phonograms. *Id.*

154. *Id.*

which succeeded from Yugoslavia in June 1991.¹⁵⁵ It is believed that the law will largely conform to the United States' "Special 301" standards and will grant broader protection than existed under the old Yugoslavian laws. The new republic will still recognize all of the international intellectual property conventions and treaties ratified by Yugoslavia, as well as intellectual property rights previously granted by its Federal Patent Office.¹⁵⁶

REGIONAL DEVELOPMENTS III: ASIA-PACIFIC REGION

Technology has fueled the economic progress of Japan and many of its neighbors in the Asia-Pacific region. Originally, these countries were able to acquire technology through licensing arrangements with Western firms, incorporate the ideas into their own new products and resell the products back into Western markets. Protection of IP rights was not given a high government priority, because the emphasis was placed on rapidly diffusing technology and know-how among those firms viewed as most capable of producing the new products on a competitive basis. Recently, however, these countries have begun to appreciate the need for formal IP rights, particularly given their own emerging prowess in research and development. Moreover, the United States has required that progress in the area of IP rights be an important item in any ongoing bilateral discussions involving trade.

Korea

The USTR named Korea as one of the original Priority Watch List countries, citing a specific action plan calling for the following: improved enforcement of existing IP laws, including active and effective involvement of Korea's task force on IP in enforcement efforts; specific and effective actions by Korean enforcement entities and concrete evidence of a decrease in the sale of pirated and counterfeit items; and constructive participation in multilateral IP negotiations.¹⁵⁷

Korea responded by undertaking a number of changes to its patent, utility model, design and trademark laws,¹⁵⁸ which became

155. *Slovenian Patent Office is Drafting New Industrial Property Legislation*, 5 WORLD INTELL. PROP. REP. (BNA) 328 (1991).

156. The right will be recognized until they expire by their own terms. *See id.*

157. "Special 301" Provision, *supra* note 21.

158. *Patent, Utility Model, Trademark, Design Amendments Signed into Law*, 4 WORLD INTELL. PROP. REP. (BNA) 31 (1990).

effective as of September 1, 1990,¹⁵⁹ and added certain provisions to its existing unfair competition prevention act to recognize trade secrets as valuable and protectable IP rights.¹⁶⁰

Patent Law Changes.

The following changes to Korea's patent laws are worth noting:¹⁶¹

1. *Patenting of Food Products.* Korea indicated its intention to extend patent protection to food products. Accordingly, the remaining classes of unpatentable inventions are inventions of substances manufactured by the process of transforming atomic nuclei, and inventions that may threaten or injure the public order, good morals or public health.
2. *CIP Application.* The new law adopts the so-called "domestic priority system," which enables the applicant to file a new application, within one year from the filing of the first application, claiming the priority date for the common portion contained in any earlier filed application. When the procedure is used, the senior application will be deemed to be withdrawn at the end of fifteen months from the priority date. The Korea Industrial Property Office (KIPO) hopes this procedure will reduce the total number of pending applications, and allow applicants to broaden the scope of their application or add new improvements without forfeiting the earlier filing date.
3. *Patent Term.* The amended law allows for the term of a patent to not exceed twenty years from the Korean filing date. This eliminates the possibility that the term could be prolonged as a result of delays during the examination period.
4. *Infringement Notice Requirement.* Under present law, the applicant of a "laid-open" patent application is entitled to collect, after the publication of the application for opposition, royalties from an infringer. Royalties accrue from the date that the applicant delivers a warning letter and a copy of the specification to the infringer. Under the new

159. *Id.*

160. C. Leon Kim, *Legislation on Semiconductor, Chips, Trade Secret expected in 1991*, 5 WORLD INTELL. PROP. REP. (BNA) 83 (1991).

161. See C. Leon Kim, *Changes to Korea Patent Law Under Newly Enacted Legislation*, 4 WORLD INTELL. PROP. REP. (BNA) 54, 54-55 (1990).

law, however, if the infringer was actually aware that the applicant had filed a patent application relating to the invention being infringed, the requirement of prior notice from the applicant may not apply. In such a case, the amount of collectable royalties will be computed from the date of knowledge.

5. *Statute of Limitations.* Under prior law, invalidating a patent based on a reference that was not publicly available in Korea when the patent application was filed could not occur after five years from the registration date. The amended law eliminates this statute of limitations.
6. *Extension of Patent Term.* The new law states that the term of a patent may be extended for up to five years on specified pharmaceutical products and agrochemicals that are subject to a manufacturing license from governmental authorities.

In addition to the above changes, other patent law amendments have established procedures for appealing rejected amendments, eliminated post-allowance rejections, strengthened the presumption of an infringing patent process, clarified the availability of preliminary injunctive proceedings, and eased the requirement of standing with respect to KIPO proceedings.¹⁶²

Utility Model and Design Law.

Changes to the Utility Model and Design Law are similar to those implemented in the Patent Law.¹⁶³ Specifically, the changes include the limitation on the term of protection,¹⁶⁴ the changes with respect to defense-related inventions, the elimination of post-allowance rejections, the ability to file priority documents, the adoption of Chapter II of the PCT¹⁶⁵ and the clarification of "working."¹⁶⁶

162. *Id.*

163. See text accompanying note 165 *infra*.

164. Prior law allowed an applicant to defer the examination of the application for up to five years and to appeal an examiner's rejection to the Board of Appeals and to the Supreme Court. C. Leon Kim, *Changes to Utility Model Design Laws are Proposed*, 3 WORLD INTELL. PROP. REP. (BNA) 256 (1989). The duration of an issued patent or utility model would commence on the date of publication without any limitation relative to the length of the patent's application proceedings. *Id.*

165. Because the Chapter II procedure provides that the translation of the original specification need not be submitted until thirty months from the PCT priority date, foreign clients will be provided with more time to decide whether the Korean prosecution of an application should continue, without incurring the related translation cost. *Changes to Utility Model, Design Laws, supra* note 164.

166. *Id.*

Other amendments included establishing procedures for handling "improperly broad" amendments to utility models, removing the statute of limitations on challenges to the validity of utility models or registered designs, permitting designs publicly known outside of Korea to be used as prior art in determining the novelty of a design application, limiting an applicant's ability to convert a PCT application to a design application until the applicant had gone through the national phase of the original application.¹⁶⁷

Trademark Law Changes.

Significant changes to Korea's trademark law included the following:¹⁶⁸

1. *Mark Transfers.* The changes will permit the assignment or change of ownership of a registered mark without transfer of the related business. The law also eliminates the requirement for prior public notice before a proposed transfer of a non-registered mark occurs.
2. *Expiration of Business.* Under prior law, a registered mark was deemed extinguished when the business utilizing the mark is terminated. In light of the free assignability of registered marks implemented by the new changes, however, the law has been amended to eliminate the automatic termination provisions to permit the owner to sell or salvage the goodwill associated with the mark.
3. *Grace Period for Non-Use.* The changes will extend the grace period for non-use of a registered mark from one to three years.
4. *Cancellation.* A number of changes were made relating to cancellation of marks. Unauthorized use will no longer be a justifiable ground for cancellation. In the case of a cancellation trial based on the non-use of a registered mark, the changes would now shift the burden of proof to the owner to provide positive proof that the mark has been used. Actions for partial invalidation of a registered mark will now be permitted. Finally, prior law allowed a registrant to counter a claim of non-use by voluntarily with-

167. *Id.*

168. See C. Leon Kim, *KOREA: National Assembly Considers Amendments to Trademark Law*, 4 WORLD INTELL. PROP. REP. (BNA) 7-8 (1990). For revisions to the guidelines to be followed by trademark examiners in Korea following the amendments to Korea's trademark act, see *KIPO Revises Guidelines for Trademark Examiners*, 5 WORLD INTELL. PROP. REP. (BNA) 32 (1991).

drawing the registration and, at the same time, filing a new application relating to the same mark. The amended law, however, will prevent the withdrawing registrant from obtaining a new registration of the same or a similar mark for three years.

5. *Security Interest Proceedings.* The new law will provide a statutory basis for the establishment of a security interest in a registered trademark.

Korea also announced that it would seriously consider joining the Nice Arrangement (relating to the classification of goods and services),¹⁶⁹ the Madrid Arrangement (relating to trademark registration) and the Locarno Agreement (relating to designs).¹⁷⁰

Copyright Developments.

Trade association representatives have noted improvements regarding Korea's enforcement attitudes to book¹⁷¹ and software piracy.¹⁷² Somewhat less progress, however, has been made relating to video piracy. Due to the apparent disinterest of local video associations in cooperating with anti-piracy efforts, expected international trade associations to increase their own enforcement initiatives in lieu of pursuing further cooperation from the domestic industry.

Trade Secret Protection.

Korea is amending its Unfair Competition Protection Act to

169. Man Kyu Suh, *KIPO Prepared for Adoption of Nice Classification*, 4 WORLD INTEL. PROP. REP. (BNA) 53 (1990). Trademark examiners and owners use the classification of goods and services as a search tool during trademark registration. *Id.* The preexisting Korean classification system was established in the late 1970s and had not been updated to reflect changing commercial perceptions and practices. *Id.* The Korean version of the Nice classification would incorporate the goods existing in the current Korean system but not found in the Nice classification. *Id.* Owners of trademarks registered in Korea should consider the following points: whether the goods or services described in the registration must be moved to different classes under the new system; whether the current descriptions of goods or services will be adequate, in terms of breadth or specificity, to cover the item for which protection is being sought; and whether a registered mark conflicts with other marks under the new classification. *Id.* at 54.

170. Korea has already joined the Paris Convention, the PCT, Geneva Phonograms Convention and Universal Copyright Convention.

171. Trade association representatives have urged the United States government to pressure the Korean government into taking strong actions against book piracy. *IIPA Submission*, *supra* note 24, at 86.

172. Since November 1989, the Korean government has prosecuted its first cases involving piracy of computer programs. *Id.* Trade association representatives have applauded the rapidity and vigor of the prosecutions, although it is still thought that higher fines and jail terms should be utilized to discourage further piracy efforts. *Id.*

provide protection for trade secrets¹⁷³. The amendments are similar to Japan's new trade secret law adopted in 1990 and provide for sanctions against (1) unlawful acquisition, disclosure and/or use of a trade secret by a third party through such unlawful means as theft, embezzlement or fraud; and (2) unlawful disclosure and/or use of a trade secret by a person who has a duty to maintain the secret under any law, regulation or contractual agreement.¹⁷⁴

People's Republic of China

The PRC was placed on the initial Priority Watch List in 1989 and, since that time, USTR negotiators have sought the enactment of a copyright law, including copyright protection of software; establishment of copyright relations with the United States; and improved and adequate patent protection.¹⁷⁵ The PRC initially responded by indicating that it would consider a number of changes to its patent and copyright laws, as well as the adoption of a new national unfair competition law.¹⁷⁶

Patent Law Changes.

Amendments to China's 1984 Patent Law would reportedly clarify a number of issues, including the time that patent protection would formally commence. Other amendments would bring China's patent law into conformity with practice around the world. It is not expected, however, that patent protection would be extended to pharmaceuticals and chemicals, a matter that greatly disturbs observers in the United States and in other foreign countries.¹⁷⁷

173. The final text of the draft amendment was approved by the Korean Government at a cabinet meeting held on October 2, 1991 and sent to the National Assembly on October 11, 1991. See *Trade Secret Protection Law is Sent to National Assembly*, 5 WORLD INTELL. PROP. REP. (BNA) 325 (1991) for a translation of the draft amendment.

174. C. Leon Kim, *KOREA: Trade Secret, Semiconductor, and Chip Proposals Moved Forward*, 5 WORLD INTELL. PROP. REP. (BNA) 178-79 (1991). A person who learns a trade secret under an employment agreement will be liable if he uses the secret in violation of the agreement for the purpose of deriving an improper gain or inflicting damages to the rightful owner. Such a standard is intended to protect the individual's fundamental right to seek employment.

175. "Special 301" Provision, *supra* note 21, at 163.

176. See *First PRC Copyright Law will take Effect in June*, 4 WORLD INTELL. PROP. REP. (BNA) 228, 229 (1990). The national unfair competition law would prohibit "passing-off." Although prohibitions against passing-off appear in the General Provisions of China's Civil Code, national advertising regulations and regional unfair competition and consumer protection regulations, a national unfair competition law is considered essential for effective protection of foreign interests.

177. For a summary of various information regarding patent applications in China dur-

Copyright Law Changes.

A new copyright law was approved in September 1990 and went into effect on June 1, 1991.¹⁷⁸ As adopted, the law will extend copyright protection to items such as computer software.¹⁷⁹ As a general rule, copyrights would be protected for the life of the author plus fifty years or, in the case of legal persons, fifty years from the date of first publication.¹⁸⁰ It is anticipated, however, that software protection will only extend for 25 years under the new regulations.¹⁸¹ As noted above, the new copyright law has been criticized for the lack of protection afforded to the works of foreign nationals that have not first been published in the PRC,¹⁸² the law contains fair use and compulsory licensing provisions that are inconsistent with the Berne Convention.

Priority Foreign Country Designation.

In spite of the changes, the PRC's IP laws continued to be deficient in the eyes of the USTR in 1991. As a result, the PRC was designated as a Priority Foreign Country. The USTR noted that the PRC was the only major trading partner of the United States to offer neither product patent protection for pharmaceuticals and other chemicals, nor copyright protection for United States works. In addition, trademarks are granted to the first registrant in the PRC, regardless of the original owner. Also, trade secrets are not adequately protected in the PRC. As a result, piracy of all forms of IP is widespread in the PRC, accounting for significant losses to United States industries.¹⁸³

ing 1989, see Yang Zhigang, *China Establishes First Tribunal to Hear Patent, Trademark Cases*, 5 WORLD INTELL. PROP. REP. (BNA) 33 (1991).

178. *First PRC Copyright Law Will Take Effect in June*, 4 WORLD INTELL. PROP. REP. (BNA) 228 (1990).

179. *Analysis of PRC's First Copyright Law*, 4 WORLD INTELL. PROP. REP. (BNA) 262 (1990).

180. *Id.* at 263.

181. *Id.*

182. See *IIPA Submission*, *supra* note 24, at 84.

183. *Supra* note 45. See also *China Calls Special 301 Designation Unacceptable, Says Trade Will Suffer*, 5 WORLD INTELL. PROP. REP. (BNA) 145 (1991) (China's reaction to its designation as a Priority Foreign Country). Chinese officials indicated that they believed that substantial progress had been made with respect to IP rights and that the action by the USTR might have an extremely negative effect on normal economic and trade cooperation. *Id.* at 146. Officials also reiterated their belief that IP rights should bear a direct relationship to the level of economic development in the country and that the United States should not seek to impose its own standards on countries unable to bargain on an equal economic footing with the United States. *Id.* Foreign Lawyers in China, however, believe that the action will cause China to seriously entertain a bilateral treaty or accede to the Berne Convention earlier than planned. *Id.*

By virtue of the designation of the PRC as a Priority Foreign Country, the United States was required to enter into negotiations with representatives of the PRC with the objective of reaching some form of agreement resolving outstanding disputes on or before November 26, 1991. The United States continued to take issue with those provisions of the new law which were perceived to be deficient and urged the Chinese to accede to the Berne Convention and/or the Universal Copyright Convention before the end of 1992. Also, the United States discussed various bilateral solutions in the area of copyrights and the USTR made it clear that it would not drop its designation of the PRC as a Priority Foreign Country unless "significant improvements" are made to the copyright law.¹⁸⁴ In response, the PRC announced in October 1991 that it would join the two major copyright conventions in mid-1992.¹⁸⁵

With respect to trademarks and service marks, foreign companies continue to suffer from continued infringement activity in the PRC.¹⁸⁶ Revisions, however, have been proposed to the nation's trademark laws.¹⁸⁷ The PRC's existing trademark law does not provide for the registration of service marks. Nevertheless, protection for company names is available under various registration procedures.¹⁸⁸ Foreign companies can attempt to deter infringement of their marks by registering them under the PRC's "first-to-file" system and insuring that "use" requirements are satisfied.¹⁸⁹ Finally, the Trademark Office has begun to make computerized trademark

184. The lack of copyright protection for United States works, as well as the lack of product patent protection for pharmaceutical products, were two of the reasons that the PRC was designated as a "priority foreign country." The USTR needed to determine by November 26, 1991 whether to retaliate by imposing heavy tariffs and duties on goods imported from the PRC. *Supra* note 45.

185. *PEOPLE'S REPUBLIC OF CHINA: PRC Says It Will Join Berne UCC in Mid-1992*, 5 *WORLD INTELL. PROP. REP.* (BNA) 303 (1991).

186. Joseph Simone, *Draft Copyright Law is Submitted to National People's Congress*, 4 *WORLD INTELL. PROP. REP.* (BNA) 32, 33 (1990).

187. See Joseph T. Simone, *Draft Trademark Law Offers Encouragement*, 5 *WORLD INTELL. PROP. REP.* (BNA) 86-87 (1991).

188. Simone, *supra* note 186, at 33. Because China is a signatory to the Paris Convention, it is obligated to protect trade and company names that are "famous" in China. *Id.* Some protection is available through registration of company names with the State Administration for Industry and Commerce (SAIC), which provides protection for the foreign and Chinese-language names of companies. *Id.* Specifically, registration (and therefore, protection) is provided under the "Interim Regulations on Registration of Names of Industrial and Commercial Enterprises," issued in 1985, and the "Regulations of China Concerning the Administration of Registration of Enterprises and the Status of Legal Persons," issued in 1988. *Id.*

189. *Id.* at 33. Since most foreign companies with a registered trademark do not sell or manufacture goods in China, governmental authorities interpret the trademark law's "use" requirements as satisfied if an advertisement is placed in an approved Chinese government

searches available for Chinese and foreign-language marks.¹⁹⁰

Since negotiations between the two countries failed to result in an agreement by the initial deadline, the USTR published a list of Chinese products which would be subject to possible heavy tariffs.¹⁹¹ Publication of the list was followed by an announcement that the USTR was extending the investigation of the PRC's practices until February 26, 1992, based on the need for additional time to negotiate and resolve the various issues. Specific issues included: the PRC's alleged failure to protect copyrights of United States works published in the PRC, inadequate patent laws and regulations, and trademark violations.¹⁹² On January 17, 1992, the PRC entered into a memorandum of understanding calling for enhanced protection of IP rights in the PRC.¹⁹³ Specifically, the PRC agreed to join the Berne Convention by October 1992 and the Geneva Phonograms Convention by June 1993 and also agreed to provide substantial protection during the interim period.

*Malaysia*¹⁹⁴

Although Malaysia adopted a new copyright law in December 1987, trade association representatives repeatedly assert that Malaysia is unwilling to take a number of actions necessary to alleviate the increasing levels of video, book and software piracy in that country. Specifically, Malaysia is unwilling to enter into copyright relations with the United States and refuses to sign an agreed-upon bilateral copyright treaty due to a technical flaw in its own copyright law. Malaysia recently announced that instead of entering into a bilateral agreement with the United States, it would give protection to American works by adhering to the Berne Convention. However,

publication every three years. *Id.* Improper registrations of world-famous marks, however, are subject to cancellation. *Id.*

190. *Id.*

191. A list of imports worth some \$1.5 billion that may be subject to retaliatory tariffs was published in the December 2 Federal Register to start a 30-day public comment period. The list of products that could face increased duties includes beer, leather suitcases, handbags or containers, leather clothes, a wide variety of other clothing and accessories, footwear, tube and pipe fittings, metal chains, hardware such as screws, bolts and nuts, electric water heaters, cassette players, televisions, and watches. One immediate result of the USTR's request for public comments on the possible Section 301 sanctions was that its office was so flooded with responses that it scheduled public hearings on the matter for January 6 and 7. *CHINA: USTR Takes First Steps on Sanctions against China under "Special 301"*, 6 WORLD INTELL. PROP. REP. (BNA) 6 (1992).

192. *Id.*

193. International Trade Committee, A.B.A. Section of International Law and Practice, Newsletter at 9 (Winter 1992).

194. *IIPA Submission*, *supra* note 24, at 86-87.

in order to do so, the Malaysian copyright must be amended to conform with Berne Convention.

Philippines

Patent Law Changes.

As debate continued regarding the proper objectives of patent harmonization activities, proposed revisions to the Philippine patent law introduced in April 1989 provided an example of how a developing country might achieve a balance between the interests of the technology-providing countries and its own desire in gaining access to new technologies so as to improve its economic infrastructure.¹⁹⁵ The new proposals included the following key elements:¹⁹⁶

1. *First-to-File.* Significantly, the proposed amendments would implement the change from the "first-to-invent" to the "first-to-file," leaving the United States alone in its adherence to the "first-to-invent" system. The amendments also require that the one-year grace period allowed to the inventor to disclose his invention without losing its novelty be withdrawn to encourage prompt and early filings of patent applications.
2. *Early Publication Procedures.* The proposed amendments require publication, eighteen months after the application filing date, of the abstract or summary of the invention or representative claim, representation drawing and the search report.
3. *Deferred Examination.* The proposed amendments give the applicant six months from the date of publication to request examination or else the application will be deemed withdrawn. Deferred examination allows the applicant time to evaluate the market value and patentability of the invention and helps to reduce the time spent by examiners on matters that ultimately will be abandoned. The changes also allow the applicant to file a utility model application for the same subject matter of a pending patent application.
4. *Patent Term.* The amendments allow the term for a patent to be twelve years from the date of filing the application

195. Jaime G. Manzano, *The Proposed Act to Revise the Philippine Patent Law*, 4 WORLD INTELL. PROP. REP. (BNA) 9-10 (1990). The proposal, entitled *A Proposed Act Revising the Philippine Patent Law (R.A. 165)*, was prepared by the Bureau of Patents, Trademarks and Technology Transfer (BPTTT). *Id.*

196. *Id.* at 10.

and that the term may be extended for five years if the patentee can prove commercial exploitation of the patent in the Philippines. The term of protection for utility models and design patents will be four years, which can be extended for two consecutive periods of three years.

5. *Compulsory Licensing.* In line with the provisions of the Paris Convention, the proposed amendments provide that patents, utility models and designs would not be subject to the grant of compulsory licenses until three years from the date the patent or registration of the utility model or design has been granted. A provisional license would also be granted 180 days after the filing of the petition for compulsory licensing of patents relating to foods or medicines, or those vital to the national interest.

Copyright Developments.

Copyright industry trade losses in the Philippines were estimated at approximately \$117 million in 1988. While government officials had promised amendments to the country's copyright law to adhere to the text of the Berne Convention, they have taken little action. Sound recordings are protected under copyright only if registered and, since registration is practically unavailable to foreign producers, enforcement takes place under the unfair competition law.¹⁹⁷ As for books, trade association representatives continue to urge that the existing compulsory licensing regime be substantially modified. Citing their belief of absolutely no progress in improved levels of enforcement and protection, trade association representatives have urged the USTR to move the Philippines to the Priority Watch List.¹⁹⁸

In addition, a variety of bills relating to IP matters are pending in the Philippine legislature, including bills that would increase criminal penalties for substituting and altering trademarks, tradenames or service marks.¹⁹⁹ Another bill calls for restructuring the Philippine Patent Office, as well as the nature of the governmental entity that would have supervisory authority over the regulators

197. Recent cases have substantially increased the ability of pirates to continue their operations. *Id.* For example, in two recent cases, a major pirate successfully argued that his activities were not "unfair" because he was willing to admit, and advertise, that his product was "pirated." *IIPA Submission, supra* note 24, at 86-87.

198. *Id.*

199. Poplador Azada, *Summary of Pending IP Legislation*, 5 WORLD INTELL. PROP. REP. (BNA) 12 (1991).

and various other matters.²⁰⁰ On the other hand, bills are pending that would abolish patent protection for inventions related to drugs and medicines, pharmaceutical preparations and products, vitamins and nutritional supplements, and other health products.²⁰¹ Another bill would require that persons holding a patent for substances used as drugs or medicines in the Philippines must manufacture the substance in the Philippines.²⁰²

Indonesia

In 1988, Indonesia adopted a new copyright law and entered into a bilateral copyright agreement with the United States. Trade association representatives are cautiously optimistic regarding the prospects for enforcement in Indonesia. However, concerns remain regarding a number of market access barriers imposed on United States film and video producers. These concerns include restrictions on the establishment of wholly owned distribution offices to market directly to Indonesian theaters and home video retailers; a ban on foreign feature films for television; limits on foreign exchange available for film imports; and high taxes, duties, fees and other payments imposed by the Indonesian Ministry of Information.²⁰³

Thailand

Thailand was also one of the countries on the USTR's original Priority Watch List. The action plan for Thailand included: improved and adequate patent protection; effective copyright protection for United States works, including software; improved protection of foreign trademarks; and constructive participation in multilateral IP negotiations.²⁰⁴

Trade associations continue to express grave concerns regarding the level of piracy in Thailand.²⁰⁵ Among the areas mentioned were records, tapes, motion pictures, books and computer programs. Specifically, it has been alleged that Thai enforcement agents have failed to prosecute in a number of instances and have imposed burdensome requirements with respect to documentation relating to claims of piracy. Moreover, fines imposed against retail-

200. *Id.* at 12-13.

201. *Id.* at 12.

202. *Id.* at 13.

203. *IIPA Submission*, *supra* note 24, at 87-88.

204. "Special 301" Provision, *supra* note 21, at 163.

205. *See IIPA Submission*, *supra* note 24, at 84.

ers selling pirated records and tapes have had little effect, and reportedly, personal threats have been made against private sector enforcement agents.²⁰⁶

In December 1990, the USTR initiated a "Section 301" investigation of Thailand's enforcement of its domestic copyright practices.²⁰⁷ Moreover, in response to a petition filed by the Pharmaceutical Manufacturers' Association (PMA), the USTR initiated investigation of Thailand's patent law on March 15, 1991.²⁰⁸ The PMA petition, which was filed January 30, 1991, alleges that Thailand has "failed to provide product patent protection for pharmaceuticals".²⁰⁹ In each case, if Thailand does not take corrective measures, the USTR had one year from the date that the investigation is initiated to complete its analysis and to recommend retaliatory action, although subsequent events have delayed any final actions.²¹⁰

In 1991, the USTR identified Thailand as a Priority Foreign Country because of Thailand's failure to enforce copyrights and deficient patent protection, especially in the area of pharmaceuticals. In the area of copyright, ineffective enforcement has led to significant losses to the United States motion picture, sound recording and computer software industries. In the area of patents, lack of patent protection for pharmaceuticals, along with overly broad compulsory licensing provisions and an insufficient term of protection have caused hardship for United States companies.²¹¹

Since two investigations were already pending against Thailand relating to protection of patents and copyrights, the USTR did not initiate a new investigation at the time Thailand was designated as a Priority Foreign Country. As such, negotiations with Thailand are proceeding on a timeline which differs from those adopted for the PRC and India.²¹²

206. See Lee D. Green, *Software Protection Problems in South Korea and Thailand; Notes, Trends and Practice Points on 'Look and Feel' and Chip Protection in Asia*, in *International Legal Issues for Emerging Technologies in the 1990s* (Materials for the Annual Fall Meeting of the American Bar Association Section of International Law and Practice, December 1990), at 352-63.

207. *USTR Initiates Investigation of Thailand*, 5 *WORLD INTELL. PROP. REP.* (BNA) 107 (1991).

208. *Id.*

209. *Id.*

210. *Id.*

211. See *USTR Names China, India, Thailand as Special 301 Priority Offenders*, 5 *WORLD INTELL. PROP. REP.* (BNA) 133 (1991).

212. See *INDIA: USTR Extends Investigation into India's I.P. Protection*, 6 *WORLD INTELL. PROP. REP.* (BNA) 10 (1992).

Japan

A number of discussions were ongoing regarding Japan's IP laws, including the bilateral Structural Impediment Initiative and GATT negotiations. Although, as described below, Japan is attempting to improve the administrative performance of its Patent Office and is engaging in various discussions with patent professionals from the United States and the EC, concerns remain regarding the delays in processing applications due to staffing shortages. Moreover, once patents are granted in Japan they are likely to be narrow in scope; thus increasing the likelihood that rival Japanese firms will file a slightly varied application which may force the original applicant to either cross-license or face a series of patent infringement cases.²¹³

Some analysts believe that Japan - in deference to mounting pressures from the United States and other trading partners - is set to strengthen intellectual property protection with respect to patents, copyrights and trademarks. For example, in the biotechnology patent area, the Intellectual Property Research Institute²¹⁴ proposed new regulations for protecting biotechnology-based plant and animal products.²¹⁵ In a related development, the Osaka District Court found in favor of Genentech Inc.'s claim that Toyobo Company had infringed Genentech's patent for tissue plasminogen activator (t-PA), signaling that Japanese courts may be prepared to enforce the patent rights of foreign firms.²¹⁶

Procedural Matters.

A number of procedural developments have occurred in Japan as that nation struggles to keep up with the overwhelming flow of IP applications and registrations.²¹⁷ Included among the changes are the establishment of an examination assistance system, an electronic patent application system, and other automation procedures leading to what is being called a "paperless system" within the Jap-

213. *USTR Releases Annual Trade Report on Restrictions around the World*, 5 WORLD INTELL. PROP. REP. (BNA) 121-24 (1991).

214. The Intellectual Property Research Institute reports to the Ministry of International Trade and Industry ("MITI") and the MITI-affiliated Patent Office.

215. *Genentech Ruling Reflects Movement to Protect Intellectual Property*, 5 WORLD INTELL. PROP. REP. (BNA) 324.

216. *Id.*

217. In 1988, 740,000 applications were filed relating to patents, utility models, designs and trademarks. It is expected that by 1993 the JPO's files will contain over 50 million items. *JPO Automation*, 4 WORLD INTELL. PROP. REP. (BNA) 42 (1990) [hereinafter *JPO Automation*].

anese Patent Office (JPO).²¹⁸ The following details this system:

1. *Examination Assistance System.* The JPO has requested that persons with specified technical backgrounds and experience assist in the examination of opposition cases and participate in substantive examinations. In addition, the Industrial Property Cooperation Center has been organized to assist in search and retrieval.²¹⁹
2. *JPO Automation.* As of December 1, 1990, the JPO began the world's first electronic patent application system.²²⁰ This system, developed by NTT Data Communications Systems Corp., is the first to computerize patent applications either online or on floppy disk.²²¹ In connection with the implementation of the system, proposed regulations setting forth the procedures to be used in connection with the electronic processing of required information under the patent, utility model, design and trademark laws have been submitted to the National Diet.²²²

218. Takashi Ishida & Sotoji Higuchi, *New Law to be Proposed Regulating Procedures Under 'Paperless System'*, 4 WORLD INTELL. PROP. REP. (BNA) 120 (1990) [hereinafter *New Law to be Proposed Regulating Procedures Under 'Paperless System'*].

219. Takashi Ishida & Sotoji Higuchi, *Japanese Patent Office Considers Examination Assistance System*, 4 WORLD INTELL. PROP. REP. (BNA) 31, (1990).

220. *JPO Automation*, *supra* note 217, at 42. The system would be another step in the JPO's ten-year computerization project that it started in 1984. *Id.* The project is designed to shorten application processing time, increase administrative efficiency, provide fuller information services and facilitate the worldwide exchange of patent information. *Id.* It is anticipated that the JPO will invest approximately 140 billion yen on the project. Takashi Ishida & Sotoji Higuchi, *JPO Begins Process of Laying Open "F-Terms" for Public Inspection*, 4 WORLD INTELL. PROP. REP. (BNA) 52 (1990) [hereinafter *Laying Open "F-Terms"*].

221. *Laying Open "F-Terms"*, *supra* note 220, at 52.

222. *New Law to be Proposed Regulating Procedures Under 'Paperless System'*, *supra* note 218, at 120. The proposed law would define an "electronic information processing system" (EIPS) as a "system connected by an electronic communication line between a computer . . . installed at the Patent Office and input and output stations of a person or representative thereof carrying out this process." *Id.* The EIPS will be utilized for such things as patent applications, as well as the issuance of actions by JPO examiners. *Id.* Magnetic discs and computer files recording the information in the EIPS may be created by a "designated information processing organization," designated by the Director of the JPO, and similar appointments may be made regarding a "designated search organization." *Id.* Fees for use of the EIPS are to be paid in advance. *Id.* For a discussion of the filing procedures under the "paperless" system, see Masashi Yanagida, *Filing Procedures Under the "Paperless System"*, 4 WORLD INTELL. PROP. REP. (BNA) 273 (1990).

In addition, the Japanese, European and United States Patent Offices have reached agreement regarding the development of common standards for the electronic processing of patent applications. *Eighth Trilateral Conference Ends with Memorandum of Understanding*, 4 WORLD INTELL. PROP. REP. (BNA) 272 (1990). Also, representatives of the JPO and members of various United States patent bar associations have been meeting in order to exchange information and ideas regarding the operation of the JPO. *U.S. Bar/JPO Liaison Council Reports Successful First Meeting*, 4 WORLD INTELL. PROP. REP. (BNA) 274 (1990).

3. *"F-Terms" Inspection System.* The JPO has made available for inspection the first set of "F-Terms," or "file forming terms." These terms are the "classifications of mechanical retrieval systems developed to provide easy and prompt access to required references from a large number of patent documents."²²³ The information will permit prior art searches by computer using the F-Terms. In addition, the user may obtain information regarding applicants' names and free words (general technical terms).²²⁴ The system, scheduled for completion in 1994, will (1) reduce the time needed for patent searches by rapidly focusing the search; (2) simplify patent document searches by permitting access through personal computer terminals; (3) standardize the manner in which prior art searches are conducted; and (4) permit the use and review of patent information for more than just technical aspects.²²⁵

Copyright Law Changes.

Japan announced a plan to revise its copyright law to "grant foreign record companies the right to collect royalties from Japanese stores that rent recordings, including records, compact discs and music tapes."²²⁶ Japan's actions were based upon the United States decision to refrain from imposing Super 301 trade sanctions against Japan, particularly since recorded products were one of the areas of concern articulated by the USTR and the Bush Administration in prior discussions.²²⁷ Since the right to collect royalties had previously been granted to Japanese record companies, singers and musical performers, the proposed amendments simply conform the treatment offered to foreign companies to that provided to their domestic counterparts.²²⁸ Japan also proposed amendments protecting pre-1978 original foreign recordings from piracy and extending the term of copyright protection from thirty to fifty years.²²⁹

223. *Laying Open F-Terms*, *supra* note 220, at 52.

224. *Id.*

225. *Id.*

226. *Government Announces Plan to Revise Copyright Law on Sound Recordings*, 4 WORLD INTELL. PROP. REP. (BNA) 119 (1990).

227. *Id.*

228. *Id.*

229. *Id.*

Effective January 1, 1992,²³⁰ the new amendments give foreign record manufacturers and musical performers exclusive rights to their recorded products for a period of one year. Additionally, the right to withhold the products from rental use during that period is provided. Thereafter, the copyright holder is entitled to royalties from the use of their product for any commercial purpose, including rentals.²³¹ The protection afforded to foreign works would be extended backward to cover recordings which were directly imported during or after 1968 and the term of the protection was lengthened from 30 to 50 years after the date of manufacture.²³²

Trade Secret Protection.

Another significant IP development in Japan has been the 1990 amendment of the Unfair Competition Prevention Law.²³³ The amendments include a number of protections respecting "trade secrets."²³⁴ Among the important changes are:²³⁵

1. An owner of a trade secret may, upon a showing of probable damage, require a person to discontinue or refrain from committing any of the following acts: obtaining a trade secret directly by theft, deception, threat or any other dishonest means, or using or disclosing any trade secret obtained in the manner specified above; obtaining a trade secret indirectly through an intervening dishonest act or using or disclosing any trade secret obtained in that manner; or using or publicly disclosing a trade secret for the purpose of unfair competition or obtaining any other unfair interest.
2. The owner of a misappropriated trade secret also can demand the destruction of relevant evidence, including any articles manufactured with the use of the misappropriated trade secret and any facilities that have been utilized to manufacture such articles. The owner may also receive

230. The Japanese Government had originally announced its intention to amend the copyright law on April 26, 1990, when the United States declared that it would *not* impose trade sanctions against the Japanese under the Super 301 provisions. The area of recorded products had long been a concern of the Bush Administration. *JAPAN: Copyright Law Revised with Regard to Foreign Sound Recordings*, 5 WORLD INTELL. PROP. REP. (BNA) 177, 178 (1991).

231. *Id.*

232. *Id.*

233. Takashi Ishida & Sotoji Higuchi, *Japan Revises Law on Unfair Competition*, 4 WORLD INTELL. PROP. REP. (BNA) 207 (1990).

234. *Id.*

235. *Id.*

damages relating to the acts of the person who illegally uses the trade secret.

3. The provisions do not apply when the trade secret is obtained through a legitimate trade activity, and the rights of the owner will lapse after three years from discovery of the dishonest act.

The lack of trade secret protection in Japan has long been an area of concern for the United States. The recent amendments appear to signal that the Japanese are seeking some accommodation on this matter, even though significant cultural differences may remain regarding the sanctity of "know-how" as an individual property right.

Taiwan

Originally placed on the USTR's Priority Watch List, Taiwan was cited as needing improved enforcement of existing IP laws. Included were specific and effective actions by Taiwanese enforcement entities; concrete evidence of a decrease in the sale of pirated and counterfeit items; and implementation of the measures necessary to fulfill its obligations under the bilateral copyright and other IP agreements.²³⁶

In May 1989, Taiwan entered into the so-called "MTV Agreement"²³⁷ with the United States. The MTV Agreement was aimed at eliminating the "unauthorized reproduction . . . leasing . . . or exhibition" of videocassettes in MTV centers and similar facilities. The MTV Agreement obligated Taiwan to do the following:²³⁸

1. *Bilateral Agreement.* Taiwan agreed to initial the bilateral agreement with the United States, specifying that "public performance" in MTV parlors was to be considered an infringing act.
2. *Amendment of Copyright Law.* A mutually agreed-upon "fast-track amendment" to the Taiwanese copyright law

236. Taiwan recently announced the adoption of its Fair Trade Law (FTL), which will come into effect in February 1992. Glenn P. Rickards, *New Fair Trade Law Will Strengthen I.P. Protection*, 5 WORLD INTELL. PROP. REP. (BNA) 89 (1991). The FTL contains antitrust provisions and provisions on misappropriation of trade secrets, copying of trade information, and other forms of unfair trading that are closely related to IP law. *Id.* For example, the FTL prohibits use of unfair practices to obtain trade secrets, trade information or other kinds of related technical information of a third party. *Id.* The FTL provides for criminal and civil penalties. *Id.* at 90.

237. MTV's are "shops that screen pirated videos for private parties." USTR, *Citing Progress*, *supra* note 38, at 125.

238. *Id.*

was to be introduced, which would reverse the Taiwan High Court decision that MTV performances were not "public."²³⁹

3. *Laser Disks.* Regulatory and/or legislative measures were to be enacted to clarify the protection to be granted to motion pictures embodied on laser disks.
4. *Licensing and Enforcement.* Taiwan agreed to take the actions required so that all MTVs would be "licensed" by the end of 1989. Moreover, all videocassettes were to be licensed for showing in MTVs, and raids and seizures were to be conducted where MTVs engaged in "unauthorized leasing and exhibition" of videocassettes. All pirated videocassettes were to be confiscated.

The Taiwan District Court has concluded that under the amended Copyright Law, showing a video in an MTV without the consent of the owner is not permitted.²⁴⁰

In addition to the above-described activities concerning its copyright laws,²⁴¹ Taiwan has proposed a number of changes to its patent laws.²⁴² The changes include: new protection for microorganisms, foods and habit-forming products; extension of the patent term for pharmaceutical and agrichemical products; a one year right of priority for a new invention and new utility patent applications; a right to patent "the discovery of new uses of articles;" and simplification of the formalities as to the filing of patent applications.²⁴³ The law retains the current provisions regarding compulsory licensing for "non-working" and establishes procedures for setting the level of compensation with respect to compulsory licens-

239. Unexpectedly, the Taiwan Supreme Court reversed the High Court decision several months later by holding that MTV performances were "public." *Id.* The High Court had actually ruled that while the MTV center in the subject case had not engaged in an unauthorized "public performance," it had infringed the then-existing "leasing right." *Id.* The proposed amendment to Taiwan's copyright law appears to eliminate the exclusive leasing rights set forth in existing law and permits the rental of videocassettes, audiocassettes and computer software without the consent of the copyright owner of such works. *Id.* If enacted, these actions will lead to the creation of a number of rental shops and a significant increase in unauthorized copying in Taiwan. *Id.* at 85-86. Certain other amendments to Taiwan's copyright laws have been proposed, although trade representatives and United States government officials do not believe that the amendments conform to various understandings reached in the context of bilateral negotiations over the last few years. *Id.* at 86.

240. *Attorney-General v. Cash Box MTV*, Prosecution No. 1697/1991, August 12, 1991, reprinted in 5 *WORLD INTELL. PROP. REP.* (BNA) 307 (1991).

241. See *supra* notes 236 to 239 and accompanying text.

242. Eric Chen, *Summary of Provisions of Draft Patent Law*, 4 *WORLD INTELL. PROP. REP.* (BNA) 231 (1990).

243. *Id.* at 231-32.

ing of process patents.²⁴⁴ The provisions relating to new utility model patents are not to be substantially altered.²⁴⁵

As a result of the aforementioned actions, the USTR moved Taiwan in April 1990 from the Priority Watch List to the Watch List.²⁴⁶ The USTR's announcement triggered comments from trade association representatives expressing their belief that Taiwan should be returned to the Priority Watch List, particularly in light of the lack of progress in enforcement proceedings regarding the piracy of books, software and music.²⁴⁷ Supporting the trade associations' concern, the USTR 1991 Report noted that although authorities have worked to improve the level of IP protection in Taiwan, inadequate enforcement of existing laws has been and will remain the chief concern of United States exporters. Counterfeiting of world famous trademarks continues to be a serious problem, as is copyright protection of sound recordings and motion pictures.²⁴⁸

Australia

Australia was placed on the Priority Watch List because of the market access provisions of a statute limiting United States audiovisual exports. Australia maintains a quota of forty percent Australian origin on television transmissions from 6 a.m. to midnight. This quota will increase to fifty percent in 1993. In addition, the Australian Broadcast Tribunal requires that dramatic programming meet "Australian look" standards, discouraging foreign television programs. Finally, with the exception of twenty percent of the pictorial matter, all television advertisements must be produced in Australia or New Zealand.²⁴⁹

244. *Id.* at 231.

245. *Id.*

246. USTR, *Citing Progress*, *supra* note 38, at 124.

247. *See id.* at 125. However, Taiwanese officials have initiated significant criminal proceedings for suspected copyright infringement by two large companies in Taipei, one of the companies is an affiliate of Atari Corporation and the other company is one of the thirty largest manufacturing companies in Taiwan. *See BSA Announces Criminal Proceedings Involving Suspected Software Piracy*, 4 WORLD INTELL. PROP. REP. (BNA) 123 (1990). The actions allege the unauthorized copying of copyrighted software in business operations, a practice that United States trade association representatives believe is quite widespread within Taiwan. *Id.* The United States has long been critical of the lack of enforcement against so-called "in-house" copying, maintaining that significant losses have been suffered by United States companies producing popular data-base management and spreadsheet software programs. *Id.*

248. USTR *Releases Annual Trade Report on Restrictions around the World*, 5 WORLD INTELL. PROP. REP. (BNA) 121-24 (1991).

249. *See supra* note 45.

REGIONAL DEVELOPMENTS IV: LATIN AMERICA

Until recently, the United States viewed countries such as Mexico, Venezuela and Brazil as developing countries, valuable only for the vast amounts of oil and other natural resources. In turn, for the most part, countries in Latin America showed little interest in advancing the protection of foreign IP rights, as their laws concerning technology transfer were perceived as being tremendously disadvantageous to foreign technology importers. A number of recent economic reforms in Latin America, however, have led to wholesale changes in the content and application of IP laws and technology transfer regulations. One of the key questions for the coming decade will be whether these newly-developing economies will, in fact, be able to attract and absorb technologies from foreign firms and provide the type of IP protection promised by the new legislation.

Mexico

In 1989, Mexico was placed on the original Priority Watch List. Among the USTR's concerns were the need for improved and adequate patent protection, including accelerated phasing-in of product patent protection; and constructive participation in multi-lateral IP negotiations.²⁵⁰ In addition, trade association representatives have vigorously expressed their concerns to the USTR regarding what are perceived to be significant problems in the enforcement of Mexico's copyright laws,²⁵¹ including the following:²⁵²

1. *Piracy*. Trade losses due to piracy of sound recordings, movies and software exceeded \$100 million in 1989, including approximately \$80 million in the software industry.²⁵³ The ratio of legitimate to illegitimate software programs was estimated at approximately one-to-seven, in a country that already then had an installed PC base of about 500,000.²⁵⁴

250. 3 WORLD INTELL. PROP. REP. (BNA) at 163.

251. Eric Smith, General Counsel of the International Intellectual Property Alliance, told the International Trade Commission on December 5, 1989, that his organization "is not particularly happy" with the Mexican government's copyright efforts. *MEXICO: Intellectual Property Protection Will Improve, Official Promises*, 4 WORLD INTELL. PROP. REP. (BNA) 8-9 (1990). He noted that the IIPA wants a Mexican law to protect sound recordings, specific copyright protection for computer programs, and increased fines and jail terms for pirates. *Id.* The then maximum criminal fine was four dollars. *Id.* at 9.

252. *IIPA Submission*, *supra* note 24, at 86-87.

253. The IIPA cited these figures in a written submission following oral testimony before the International Trade Commission on December 5, 1989. *Id.*

254. Entering 1990, software programs were not specifically covered by the Mexican

2. *Record Industry.* Record piracy levels were up over fifty percent in 1989 and, although Mexico is a member of the Rome and Geneva Phonograms Conventions, there was no express protection for sound recordings. Moreover, until 1990, Mexican officials had been unwilling to negotiate with the United States regarding various aspects of the content and enforcement of its copyright laws relating to sound recordings.²⁵⁵
3. *Video Industry.* Video piracy remained high, although recent progress had been made regarding the unauthorized retransmission of United States programs by Mexican cable stations. In addition, a number of other market barriers existed which impeded entry of the United States motion picture industry into Mexico.²⁵⁶

However, a number of significant changes have recently occurred in Mexico. These include: the deregulation of technology transfers, such as the licensing of patents and trademarks and the content of technology and managerial service contracts; and the adoption of new laws and regulations relating to protection of patents and trademarks, and foreign investment.²⁵⁷

Technology Transfer Regulations.

One of the most important changes in recent years relating to IP laws in Mexico occurred in the area of agreements regarding the licensing of patents, trademarks and the transfer of technology (LTTA).²⁵⁸ Previously, in order for any LTTA to have effect in Mexico, it had to be submitted to the National Registry of Transfer of Technology (NRTT) for approval and registration under the terms of the Mexican Law on the Control and Registration of the Transfer of Technology and the Use and Exploitation of Patents

Copyright Law, although a proposed draft amendment includes specific coverage for software programs as well as increased fines and jail terms. *IIPA Submission, supra* note 24, at 86-87.

255. Negotiations were finally scheduled for early 1990. *Id.* Trade association representatives urged that United States negotiators push for increases in infringement violation penalties and for express protection of sound recordings for a full 50-year term. *Id.*

256. For example, other problems include prohibitions against imports of dubbed films, controlled admission prices, a 50% screen quota and the failure to make a 1.5% statutory authors' royalty from theatrical exhibitions available to the United States movie companies. *IIPA Submission, supra* note 24, at 86-87.

257. See *Mexico Updates Regulations On Transfer of Technology*, 4 WORLD INTELL. PROP. REP. (BNA) 31, 32. New foreign investment regulations were introduced in May 1989.

258. See Alan S. Gutterman, *Recent Amendments Promise Liberalization of Mexican laws Regarding Inbound Technology Transfers*, 12 CEB CAL. BUS. LAW REPORTER 49 (1990); Alan S. Gutterman, *Changing Trends in the Content and Purpose of Mexico's Intellectual Property Right Regime*, 20 GEORGIA J. INT'L & COMP. L. 515 (1990).

and Trademarks (the TTL).²⁵⁹ The role of the NRTT in reviewing the terms of any LTТА had historically been similar to the practice in other developing nations, with a careful focus upon the amount of compensation payable to the foreign licensor. In addition, the NRTT could deny registration to any LTТА that contained any of the various "restrictive" clauses prohibited under the terms of the TTL or its regulations.

In response to international pressure and criticisms by industrialists and multinational companies operating within Mexico, the government, in January 1990, substantially revised the regulations that govern the review and registration of LTТАs.²⁶⁰ The new regulations granted broad authority to the NRTT to approve any LTТА, even if the LTТА did not fall within one of the exceptions specified in the TTL or the New Regulations, if the LTТА benefits the country in any one of the following ways: generates new employment; improves the technical qualifications of local personnel; provides access to foreign markets; permits local manufacture of new products, particularly substitution of imports; improves the foreign currency balance; reduces per unit production costs, as measured in constant pesos; develops local suppliers; uses environmentally sound technology; or promotes domestic research and development.²⁶¹

As striking as the 1990 revisions were to prior practice, the new law relating to the protection of industrial property, which was ultimately adopted in the summer of 1991 (see below), went even further by abolishing all of the prior controls on licenses and technology transfer arrangements, leaving parties free to negotiate royalty terms and various covenants within the licensing

259. The TTL was originally enacted in 1972 out of concerns among local policymakers that developed nations were practicing a form of "technological imperialism" in the negotiation and implementation of license and technology transfer agreements with firms in developing nations.

260. Like its brethren in the other oil producing nations, Mexico enjoyed the benefits of an enhanced credit capacity secured by the short-term proceeds from the increase in oil prices. However, a number of policies concerning foreign investment, as well as the effect of the TTL, made it difficult for Mexico to attract the technical assistance from the United States and other nations that would be required for the nation to develop its own internal capabilities with respect to research and development and management. The January 10, 1990 issue of *El Financiero*, the Mexico City financial newspaper, noted that "Only 30 percent of the technology contracts during the last six years were with foreign companies because of the complicated bureaucratic red tape and the legal loopholes, even though government policy was to encourage acquisition of productive advancements." Moreover, Mexico is estimated to be between one and two percent of the nation's GDP, as compared to about 5% of GDP in the United States. See *supra* note 257.

261. For a detailed description of the new regulations, see the articles at note 265 *infra*.

arrangement.²⁶²

Industrial Property Laws.

While Mexico was attempting to improve its legal regime with respect to LTTAs, as well as initiating changes to its overall research and development policies, many observers in the United States and elsewhere continued to urge further amendments to Mexico's Invention and Trademark Law (ITL), which was last amended in 1987.²⁶³

Mexico responded in January 1990 by announcing its intention to consider broad amendments to the ITL, many of which represented positions that were consistent with the desires of the developed nations in the WIPO and TRIPs negotiations.²⁶⁴

Subsequently, the enactment of the Law for the Promotion and Protection of Industrial Property, which was published June 27, 1991, went into effect in August 1991.²⁶⁵ Among the key items in the new law, which widens the definition of industrial property to specifically include patents, trademarks, industrial secrets, production processes and technology transfer,²⁶⁶ are the following:

Patents.

Patent protection will extend for 20 years from the date of filing and will be available for several new items, such as chemical products, including pharmaceuticals, and inventions which relate to microorganisms.²⁶⁷

Utility Models and Industrial Designs.

Utility models will be registrable for 10 years from the date of

262. *MEXICO: New Industrial Property Law Enacted as Free Trade Agreement Talks Begin*, 5 *WORLD INTELL. PROP. REP.* (BNA) 205 (1991).

263. *See supra* note 252.

264. *See National Program of Industrial Modernization and Foreign Trade 1990-1994*, in the government's Official Gazette on January 24, 1990, particularly the section entitled "Technological Development and Training of Human Resources." *See* Manuel Gomez-Magueo, *MEXICO: Outline of Mexican Plan to Improve Intellectual Property Protection*, 4 *WORLD INTELL. PROP. REP.* (BNA) 72-73 (1990). The new amendments to Mexico's industrial property laws are referred to as "Law for the Promotion and Protection of the Industrial Property," and are intended to supersede the Law of Inventions and Trademarks of February 10, 1976, which was last amended on January 18, 1987. *See* Alcaraz, *Mexican Regulations for the Protection of Industrial Property*, in *International Legal Issues for Emerging Technologies in the 1990s* (Materials for the Annual Fall Meeting of the American Bar Association Section of International Law and Practice, December 1990), at 308-23.

265. *See supra* note 263.

266. *Id.*

267. *Id.*

filing and industrial designs will be registrable for 15 years from the date of filing.²⁶⁸

Trademarks.

Trademarks may be registered for 10 years from the date of filing and the filing may be renewed indefinitely. All products and services will be classified in accordance with the international classification system. Although it will no longer be necessary to prove use of the trademark, a registrant applying for a renewal of the mark must file an affidavit indicating that use has not been suspended for more than three consecutive years within each ten year term of the mark.²⁶⁹

Industrial Secrets.

Strong protection is afforded to industrial secrets, including prohibitions on the unauthorized disclosure or use of a secret.²⁷⁰ Significant penalties may be imposed for infringement and other violations of the new law. Patent and trademark infringement, as well as the unauthorized use or disclosure of industrial secrets, are considered felonies and may result in imprisonment for up to six years.²⁷¹ Plaintiffs may also have an independent civil action for damages and may petition for injunctive relief.²⁷²

Copyright Laws.

Around the same time that the new industrial property law became effective, Mexico also enacted a new copyright law.²⁷³ The law extends to all copyright owners exclusive reproduction and distribution rights for 50 years, provides protection for sound recordings and increases the penalties which may be sought for pirating sound recordings, computer software, motion pictures and other copyrighted works.²⁷⁴ The prospect of keener enforcement was particularly welcomed by United States industry representatives, who had estimated that annual sales of pirated sound recordings in Mex-

268. *Id.*

269. *Id.*

270. *Id.*

271. *Id.* A technical opinion from the Patent and Trademark Office stating whether or not there is actual infringement must be obtained prior to prosecution of a criminal infringement action. *Id.*

272. *Id.*

273. The copyright law went into effect on August 16, 1991. *Id.* at 206.

274. *Id.*

ico had exceeded \$250 million.²⁷⁵

Venezuela

Venezuela adopted new regulations relating to technology transfer agreements in January 1990.²⁷⁶ Parties to agreements are given complete freedom to establish royalties up to a five percent limit. Any amount over this limit requires government authorization.²⁷⁷ Other significant provisions of the new regulations include the following:²⁷⁸

1. *Restrictive Clauses.* A number of prior limitations on the "restrictive clauses" that could be included in a technology transfer agreement have been eliminated. However, prohibitions remain on clauses relating to export limitations; some of the obligations to purchase raw materials and equipment from the licensor; price fixing; payment of royalties for unused trademarks; and any obligation to permanently utilize personnel provided by the licensor.
2. *Term of the License Agreement.* Agreements may cover an unlimited period. However, any provisions relating to confidentiality must not exceed, after the termination of the agreement, a duration equal to the original term of the agreement.
3. *Exploitation of the Technology.* The government has the authority to conduct inspections to determine whether the transferred technology is being adequately exploited. Also, both parties to the agreement must inform the government of the actual conditions of any technology transfer within sixty days after the close of the economic year. If the government determines that actual performance of the agreement varies from the terms in the recorded agreement, the government may suspend or revoke the recording.

Brazil

Brazil was placed on the Priority Watch List in 1989 for seri-

275. *Id.*

276. Foreign Investment, Technology Licensing and Foreign Credit Regulation, Decree of Jan. 18, 1990, No. 727 (Venez.), 29 I.L.M. 273 (1990). Victor Bentata & Asociados, *Intellectual Property Law and Licensing Highlights*, 4 WORLD INTELL. PROP. REP. (BNA) 125 (1990) [hereinafter *Intellectual Property Law & Licensing Highlights*].

277. *Intellectual Property Law & Licensing Highlights*, *supra* note 276, at 125.

278. *Id.*

ous deficiencies in its patent law, including failure to provide process or product patent protection for chemicals, foodstuffs, and pharmaceuticals.²⁷⁹ In addition, losses to businesses from piracy in the video and computer software areas were significant.²⁸⁰

On June 26, 1990, Brazil announced its intention to enact patent protection legislation.²⁸¹ The move was part of a number of measures designed to reduce tariffs, privatize various industries and reform foreign investment laws.²⁸² As a result, the USTR removed \$40 million of economic sanctions against Brazil and encouraged other developing nations to take similar steps to update its intellectual property laws.²⁸³

Of particular concern had been Brazil's refusal to grant patent protection to pharmaceutical products.²⁸⁴ Pharmaceutical products have not been patentable in Brazil since 1945 and, under existing law, were specifically excluded from patent protection under Article 9 of the Industrial Property Code of January 1, 1972.²⁸⁵ The bill would provide patent protection for pharmaceutical products and processes,²⁸⁶ thereby alleviating industry concerns regarding widespread patent infringement in Brazil.²⁸⁷ However, the bill, which was sent to the Brazilian Congress on May 2, 1991,²⁸⁸ has been delayed by opponents,²⁸⁹ and analysts believe that any legislation will ultimately be tempered in response to concerns of the local pharmaceutical and fine chemical industry and will provide little improvement to the existing situation.

The Brazilian Patent and Trademark Office ("INPI") issued a new set of rules governing the consideration of contracts which re-

279. 3 WORLD INTELL. PROP. REP. (BNA) at 163.

280. See *supra* note 45.

281. USTR Lifts Sections After Pledge by Brazil to Enact New Patent Law, 4 WORLD INTELL. PROP. REP. (BNA) 175 (1990).

282. *Id.*

283. *Id.*

284. Brazil Lifts Price Controls on Drugs After Pledging to Change Patent Law, 4 WORLD INTELL. PROP. REP. (BNA) 203 (1990).

285. *Id.*

286. The bill would provide for immediate patent protection and for an extended patent term of 20 years, rather than the current limit of 15 years. The bill contains "working" and compulsory licensing provisions. Opponents would delay patent recognition until after the year 2000. *BRAZIL: Industrial Property Bill Suffers Setback in Brazilian Congress*, 5 WORLD INTELL. PROP. REP. (BNA) 168 (1991).

287. *Id.* at 167. Industry sources estimate that patent infringement in Brazil results in annual losses to the pharmaceutical industry of approximately \$100 million. *Id.*

288. The Collar Administration has promised the United States that Brazilian industrial property laws would be brought up to acceptable international standards. See *id.* at 168.

289. *Id.* at 167.

late to technology transfers.²⁹⁰ The rules shorten the period of review for technology transfer applications and, while the content of individual contracts is no longer regulated, it is necessary for the contract to define: (i) the scope of the transfer, (ii) the responsibility for quality control, (iii) the schedule for training and technical assistance, and (iv) the legal status of the subject matter of the contract.²⁹¹ In addition, the new rules make it clear that any improvements belong to the transferee, although it will be necessary for the local firm to disclose the technical information relating to the improvements to the foreign firm.²⁹² Royalties will be reviewed on the basis of national and international standards for similar operations.²⁹³

In spite of the changes, several concerns remain which may continue to inhibit inbound technology transfers. First, the INPI apparently is continuing its policy of refusing to accept a "know-how" license, since non-patented technology must be transferred to the Brazilian firm.²⁹⁴ Second, it appears that the INPI will impose strict limitations on the scope of technology agreements and will "unbundle" agreements which purport to transfer patents, trademarks and other technology and review each element on its own.²⁹⁵ Finally, registration of technology transfer agreements is still required in order for the licensee's use to be recognized and for funds to be remitted abroad.²⁹⁶

REGIONAL DEVELOPMENTS V: THE MIDDLE EAST

Saudi Arabia

When Saudi Arabia was originally named to the Priority Watch List in 1989, the objectives set out by the USTR included: enactment of a copyright law that covered copyright protection for software and sound recordings; establishment of copyright relations with the United States; and effective enforcement against piracy and

290. The rules are set forth in Resolution No. 22 of February 27, 1991 and in Normative Instruction No. 001 of July 2, 1991 and supersede all previous regulations. Manuel J. Pereira dos Santos, *BRAZIL: INPI Issues New Rules on Technology Transfers*, 5 WORLD INTELL. PROP. REP. (BNA) 199 (1991).

291. *Id.*

292. *Id.*

293. *Id.*

294. *Id.* However, it is possible to include provisions relating to confidentiality and restrictions on the disposal of "know-how" in relevant agreements. *Id.*

295. *Id.*

296. *Id.* at 200. Registration is also required in order for a Brazilian firm to take tax deductions for royalties paid to the foreign licensor. *Id.* at 200.

counterfeiting of United States works.²⁹⁷

In response to the United States' concerns, the Saudi King adopted a new copyright law patterned after the Berne Convention.²⁹⁸ The new law, which was drafted without consultation with representatives of the United States, was made available for review in January 1990. Key provisions, concomitant with deficiencies from the perspective of the United States are as follows:²⁹⁹

1. *Scope of Protection.* Protection is available for original works of art in science, literature and the arts, including computer software. The law contains inconsistent references to protections for sound recordings and audio-visual works, although the intent of the law seems to be to provide protection for those types of works.
2. *Term of Protection.* The copyright grant is generally valid for the life of the author plus fifty years. The term of protection for sound recordings and for audio-visual works, however, is only twenty-five years.
3. *United States Works.* The law should be clarified as to the degree of protection actually provided to United States works since by its terms the law extends only to works which are first published in Saudi Arabia. Pre-existing works are fully covered under the law.
4. *Penalties.* Penalties for infringement may include fines and/or closing down the establishment that participates in the production of the unauthorized copies for a specified period of time. In addition, compensation to the rightful owner is provided.

Saudi Arabia enacted a new patent law on May 18, 1989.³⁰⁰ The implementing regulations, however, have not been issued, and actual filing of applications has not yet commenced.³⁰¹ Although the law is still subject to further study and amendment, a few of the

297. *Supra* note 280.

298. Because it has been estimated that the United States industry suffered approximately \$189 million in losses in 1988 from the copyright law situation in Saudi Arabia, the USTR had included Saudi Arabia on the Priority Watch List. *Id.* The new copyright law was adopted November 1, 1989, and led to the change in the country's status from the Priority Watch List to the Watch List. *Id.* Saudi Arabia represented that the law would be compatible to the Berne Convention and would contain specific protections for United States works. *Id.* at 86; *Saudi Arabian Copyright Law will be Promulgated Soon*, 4 WORLD INTELL. PROP. REP. (BNA) 74 (1990).

299. *IIPA Submission*, *supra* note 24, at 86.

300. Mohammed Doofesh, *Notable Features of New Saudi Arabian Patent Law*, 3 WORLD INTELL. PROP. REP. (BNA) 258 (1989).

301. *Id.* at 259.

important features can be described as follows:³⁰²

1. *Patentable Inventions.* An invention is defined to include any new article, method of manufacture or improvement to either. The law will require absolute universal novelty and will deem an invention as new "if it is anticipated by the prior art, which covers anything disclosed to the public anywhere and at any time, by means of a written or oral disclosure, by use, or in any other way before the relevant filing date or priority date." The new law excludes from the definition of patentable items the following: "discoveries, scientific theories, and mathematical methods; principles, rules and techniques of doing business; varieties of plants or animal species or biological processes used to produce plants or animals (sophisticated biological operations and the results of these operations are excluded); and methods of treatment of the human body or of animals, whether surgical or clinical, as well as methods of diagnosis applicable to the human body or to animals." "Also, a patent will not be granted if the invention itself or its application is contrary to Islamic concepts."
2. *Suspension of Patent.* Due to considerations relating to the public interest, the Patent Office will have the authority to suspend the granting of patents relating to certain products or processes for ten years, plus additional five year periods.
3. *Inventors' and Employees' Rights.* The right to a patent belongs solely to the inventor, although such rights can be assigned with or without consideration. The ownership of a patent belongs to the employer if the invention "is made in execution of a contract or a commitment for the execution of inventive effort, or if the employer provides that the inventor would not have achieved such an invention had he not used the facilities, means, or information made available by the employer." The employee has the right to receive remuneration for his invention. Any agreement denying the employee these rights is invalid. The provisions regarding employees also applies to employees of governmental departments. Any patent application submitted by the employee-inventor within the two years following the employee's termination of employment will be deemed to have been made during the employment term.

302. *Id.*

4. *Validity.* Under the new law a patent would be valid for fifteen years from the date of grant and could be extended for five additional years.
5. *Licensing.* The granting of a license does not limit the patentee's right to utilize the patent or to grant additional licenses on the patent (unless restricted by the original agreement). The licensee has no right to assign the rights and privileges granted by the original license agreement unless the original agreement so provides. If, within two years plus any extensions, a patent has not been exploited, the Patent Office may grant a compulsory license to exploit the patent to any person upon application. The applicant, however, must prove his ability to fully exploit the patent rights. A government authority may exploit an invention if the public interest so requires. In such cases the government will reimburse the patentee for the fair value of such rights.

Egypt

Egyptian government representatives have indicated to the United States their willingness to favorably consider amendments to the nation's copyright law.³⁰³ These amendments would encompass software and sound recordings, increase penalties, provide protection for pre-existing works and cover other issues raised by the United States. Similar progress is expected with respect to the implementation of an audio-video law in Egypt.

OTHER COUNTRY AND REGIONAL DEVELOPMENTS

Intellectual property developments continued throughout the world during the last few years and, as the flow of global trading spreads to the lesser-developed countries, there will be a number of issues which arise relating to IP protection in those areas.

India

Named to the initial Priority Watch List in 1989, India was cited for the need to provide improved and adequate patent protection; elimination of discrimination against use of foreign trademarks; registration of service marks; protection of well-known marks; improved access and distribution for United States motion pictures; improved enforcement against piracy; conclusion of an IP

303. *IIPA Submission, supra* note 24, at 88.

annex to the bilateral science and technology agreement; and constructive participation in multilateral IP negotiations.³⁰⁴

In addition, industry representatives noted that video and cable privacy remained a problem for domestic and foreign film makers in India.³⁰⁵ This prompted the Indian government to consider amending its copyright laws with increased jail sentences and fines. While India's domestic film makers have increased their enforcement efforts, foreign film makers have not been able to significantly penetrate the Indian market due to a variety of market-entry barriers. Market access for motion pictures is severely restrained through quotas and fees,³⁰⁶ a situation that also exists in the software industry.

In 1991, the USTR noted that patent protection in India remained quite weak. It was especially adverse to the interests of United States pharmaceutical and chemical firms. For example, patent protection is not available in India for any invention claiming substances intended for use or capable of being used as a food, medicine or drug, or related to substances prepared or produced by chemical processes. As a result, drugs covered by United States patents were being reproduced by Indian manufacturers, resulting in substantial amounts of lost revenue to American firms in that region.³⁰⁷ Accordingly, India was designated as a Priority Foreign Country.

As with the PRC, the USTR was originally obligated to complete its investigation of India's deficient IP practices by November 26, 1991. However, at the same time that the USTR extended discussions with the PRC until February 26, 1992, a similar step was taken with India. Concerns relating to India include its relatively short period of patent protection, overly broad compulsory licensing requirements, the lack of patent protection for certain classes of inventions, particularly pharmaceuticals, and the inability of India to prevent piracy of patented products and books, videos, sound recordings and computer software.³⁰⁸

304. *Supra* note 280.

305. *See* IIPA Submission, *supra* note 24, at 85.

306. *Supra* note 45. *See also* *India Hopeful Talks will Lead to Removal from Special 301 List*, 5 WORLD INTELL. PROP. REP. (BNA) 145 (1991). (India's reaction to its designation as a Priority Foreign Country). While India generally reacts very strongly to any criticism by the United States of its trade policies, Indian government officials appear to be showing some willingness to commence negotiations on the matters referred to by the USTR. *See id.*

307. *USTR Releases Annual Trade Report on Restrictions around the World*, 5 WORLD INTELL. PROP. REP. (BNA) 121-24 (1991).

308. *See INDIA: USTR Extends Investigation into India's I.P. Protection*, 6 WORLD INTELL. PROP. REP. (BNA) 10 (1992).

*Turkey.*³⁰⁹

Since 1989, copyright protection and market access have been the key topics of discussion between representatives of the United States and Turkey. Specifically, the following issues were discussed at a conference in February 1990:³¹⁰

1. *Prior Works Protection.* The application of the Turkish copyright law needs to be clarified to insure that protection is provided for works created before March 1, 1989. Moreover, protection is currently unavailable to United States motion pictures released before 1989 and to other United States works initially owned by companies, as opposed to individuals.
2. *Term of Protection.* The term of protection for United States motion pictures and works created by corporations and other entities is considered to be too short (20 years) and should be increased to the recognized international standard of 50 years.
3. *Sound Recordings.* Sound recordings are not granted protection in Turkey and, although some protection is provided under registration and unfair competition laws, it is necessary to provide full term copyright protection for United States works.
4. *Fines and Penalties.* Existing levels of fines, a maximum of less than \$50, are inadequate. Fines and maximum jail terms for infringement should be substantially increased to provide a deterrent to piracy activities.
5. *Computer Programs.* The copyright law should be amended to clarify that computer programs are expressly protected under the law, since no case law exists to provide support for assertions that the current law provides such protections. Similarly, a need exists to clarify the protection available for computer databases and the retransmission of copyrighted works by cable systems.
6. *Exemptions.* A need exists to minimize current exemptions that appear to permit the reproduction of printed materials to create anthologies, overbroad rights to publicly perform works in educational contexts and overbroad reproduction rights for supposed "private uses." Moreover, provisions in the current copyright law permitting

309. *IIPA Submission*, *supra* note 24, at 88.

310. *Id.*

United States works to be translated without a license and without compensation ten years after initial publication should be deleted.

7. *Enforcement Procedures.* Enforcement procedures are given a low priority in Turkey. Turkish court decisions, which have held that enforcement remedies are only available where a suspected pirate is caught actually screening a pirated videocassette, have further narrowed the scope of prohibited activities in the piracy area.

Following the February 1990 meeting, Turkish officials have shown a willingness to consider some of these proposed amendments to its copyright law, although it is not expected that any action will be taken until 1991. No attempts, however, have been taken to implement any of the amendments to the 1986 Cinema, Video and Music Works Law that would have: (1) established a film and video quota system; (2) prohibited the dubbing of foreign films; and (3) severely restricted the remittance of royalties, thereby effectively limited the access of United States motion picture companies to the Turkish market. Grave concerns continue among trade association representatives given the historical levels of piracy in Turkey.³¹¹

*Other Countries.*³¹²

In addition to the countries referred to above, trade association representatives have also voiced concerns regarding copyright practices in Greece, where computer program and video piracy is a serious problem; Pakistan, where the motion picture industry suffers from piracy and market access barriers and the United States publishing industry is hampered by a Berne-incompatible compulsory licensing system; and Italy and Spain, where the degree of software protection and enforcement is perceived as inadequate.³¹³

CONCLUSION

Even the most casual observer of international IP matters

311. Piracy in Turkey is thought to exceed that of all other countries in Europe and is probably second only to Saudi Arabia in the Middle East. *Id.*

312. *Id.*

313. For a discussion of the United States copyright industry's criticism of the decision of the USTR with respect to "Special 301" procedures see *USTR, Citing Progress, supra* note 38, at 124, 125. In April 1990, Eric Smith, General Counsel of the International Intellectual Property Alliance, stated "having no countries moved [to the Priority Watch List] in spite of the fact that some countries have not improved their [intellectual property] protection at all, of where the situation has worsened, sends completely the wrong message." *Id.*

would concede that rapid changes in "state-of-the-art" technologies have made IP negotiations an important part of any international discussions with respect to trade, investment and development. For all of the progress that appears to have been made during the last decade, the schisms between developed and developing nations, as well as between the United States and the members of the EC and Asia, promise that harmonization in the IP area will be particularly difficult in the years of economic adjustment that can be expected to dominate the coming decade.

One of the more interesting issues that will unfold in the coming years relates to the willingness of patent authorities in the United States and abroad to afford protection to "transgenic" animals (*i.e.*, an animal whose DNA, or hereditary material, has been changed by adding DNA from a source other than parental germ-plasm, usually from different animals or from humans). Both the United States and Australia have declared transgenic animals to be patentable subject matter under their laws and limited protection was recently afforded by the European Patent Office.³¹⁴

The agenda for international IP matters in the coming decade will be difficult to predict. Technology and ideas can offer wonderful opportunities to those who own them, but knowledge also carries with it a responsibility to those who can truly benefit from its use. As the United States and other developed countries struggle to find new techniques to combat modern health problems, large regions of the world live without food and basic medicines. The resolution of these problems must come, to some degree, at the point at which the countries of the world are willing to agree upon common definitions of knowledge and IP rights. Until then, we can only continue to take note of the broad trends that will flow across the rapidly changing economic, social and political framework of the 1990s.

314. For a survey of the issues in this area, see Margaret J. Lane, *Patenting Life: Responses of Patent Offices in the United States and Abroad*, 32 JURIMETRICS J. 89 (1991).

